



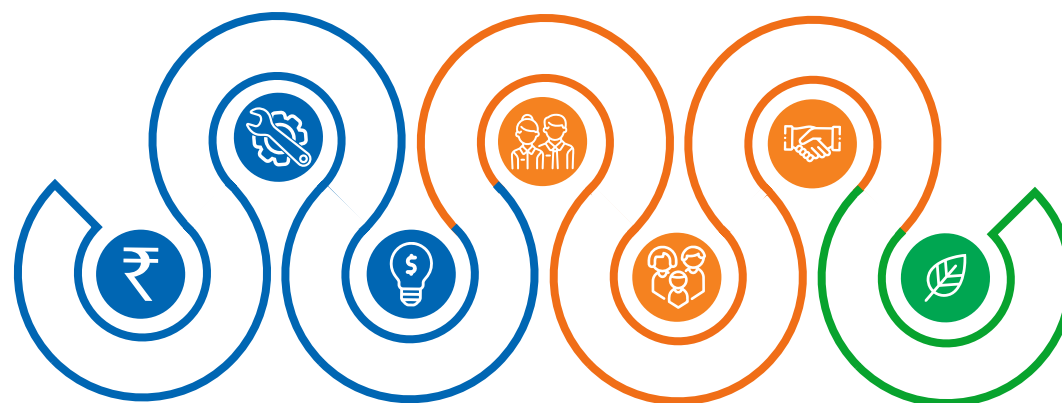
INTEGRATED REPORT 2018-19
ITC LIMITED

“Our focus is not about just delivering value for today, it is also about **preparing the enterprise for tomorrow and the day after**”

Sanjiv Puri

Chairman & Managing Director, ITC Limited





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ABOUT THE REPORT

Reporting Framework & Boundary

This is ITC's second Integrated Report and attempts to present a range of financial and non-financial disclosures to inform its stakeholders how different 'capitals' are being transformed to enable the creation of enduring value. ITC's Integrated Report has been prepared in line with the requirements of the International <IR> Framework developed by the International Integrated Reporting Council (IIRC).

The financial information in this Integrated Report for the year 2018-19 has been taken from the standalone financial statements of the Company, which have been audited by independent auditors, Messrs. Deloitte Haskins & Sells. The non-financial information (environmental and social performance data) presented in this Report for the year 2018-19, also appears in ITC's Sustainability Report 2019 which is prepared on the basis of the Global Reporting Initiative (GRI) Standards and meets the "In Accordance -

Comprehensive" criteria, and has also been independently assured by Messrs. Ernst & Young Associates LLP.

ITC has deployed an Integrated Sustainability Data Management System to collect, collate and analyse the environmental and social data. The said system is equipped with strong internal controls to ensure source-credibility and that the disclosures made in this Integrated Report are backed by integrity of the underlying data and have been appropriately verified. The data for environmental and social performance is based on the actual performance of various Businesses, Units, Hotels and Office complexes of the Company and Third Party Manufacturers (TPMs)/subsidiaries as included in the Sustainability Reporting boundary, details of which are available in the Report Profile, Scope and Boundary section of ITC's Sustainability Report 2019.

More details can be found at:

<https://www.itcportal.com/sustainability/sustainability-report.aspx>

The Capitals

An organisation depends on various forms of capital for its operations. ITC's Integrated Report considers the following Capitals:



Financial Capital: Pool of funds available for production of goods and provision of services.



Human Capital: Competencies, capabilities and experience of human resources and their ability to innovate.



Relationship Capital: The institutions and the relationships with key external stakeholder groups like suppliers, distributors and customers.



Manufactured Capital: Manufactured physical objects (buildings, equipment, infrastructure) available for use in the production of goods and provision of services.



Social Capital: Institutions and relationships within and between stakeholder communities to enhance individual and collective well-being and ITC's social license to operate.



Natural Capital: All renewable and non-renewable environmental resources and processes that provide goods and services that support past, current or future prosperity.



Intellectual Capital: Intellectual property such as patents, rights and licenses and organisational capital such as tacit knowledge, systems, procedures and protocols.

The categorisation and description of various capitals are aligned to the International <IR> Framework.

External Environment

A comprehensive discussion on the significant socio-economic, environmental, regulatory and macro economic factors that constitute the external environment in which ITC's multiple businesses operate and the impact of these factors on ITC's ability to create value is presented in the 'Report of the Board of the Directors and Management Discussion and Analysis' section forming part of ITC's Report and Accounts 2019.

Stakeholder Engagement Framework

As an Enterprise of Tomorrow, ITC acknowledges its responsibility in meeting stakeholder expectations in today's fast changing consumer, political and business landscape. Effective engagement with stakeholder groups plays an important role in ensuring that ITC continues to create larger societal value.

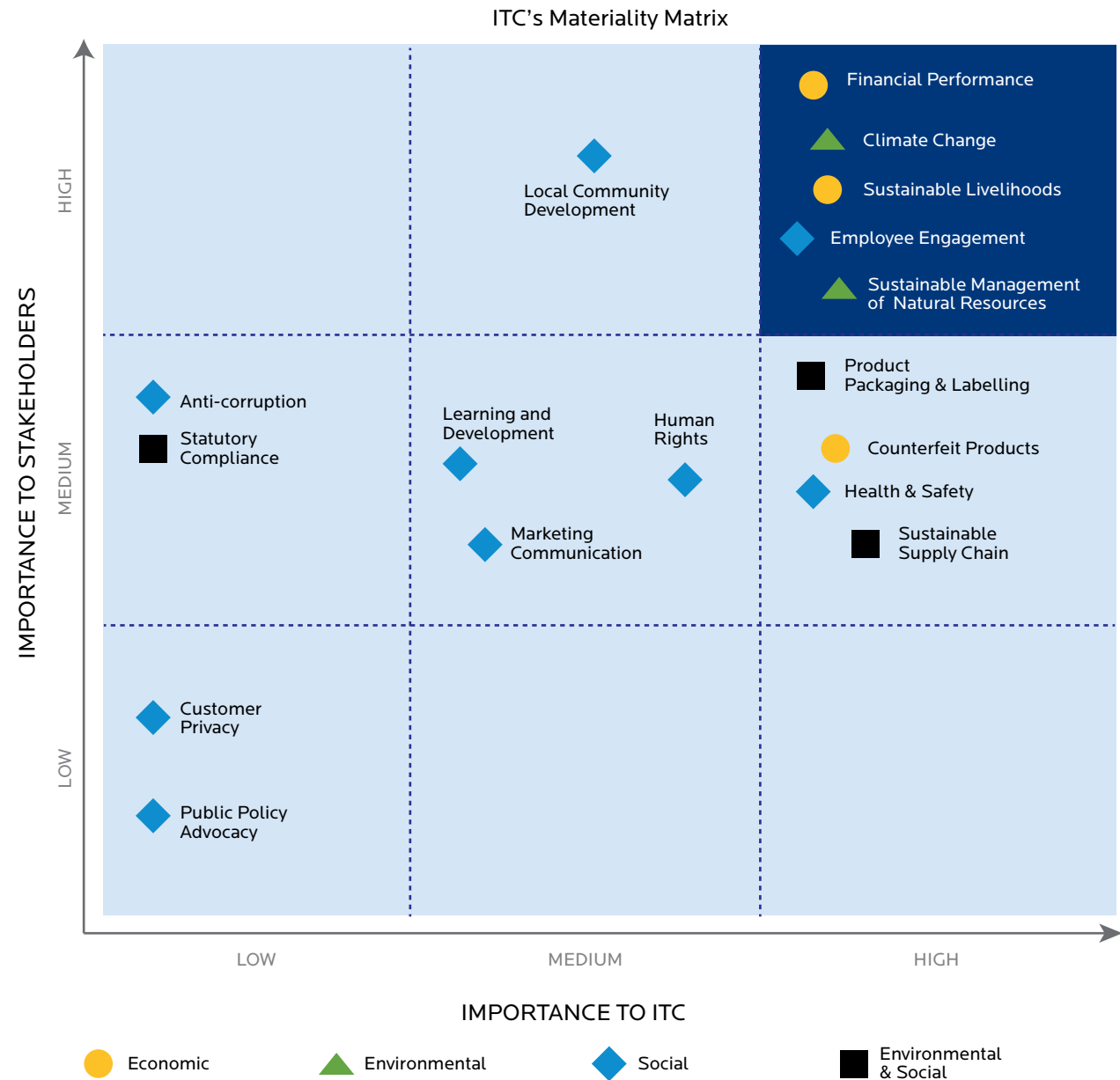
In line with the Board approved Policy on Stakeholder Engagement, ITC has a structured framework for engaging with its stakeholders and fostering enduring relationships with each one of them. ITC's engagement approach is anchored on the principles of

materiality, completeness and responsiveness.

Some of ITC's key stakeholder groups include shareholders, consumers, farmers, employees, local communities, suppliers, Central and State Governments, regulatory bodies and the media. The engagement approach takes into account that each stakeholder group is unique and has a distinctive set of priorities. Insights gathered from stakeholder engagements, help validate the Company's performance and shape new perspectives. For more details, please refer to the Stakeholder Engagement section of ITC's Sustainability Report 2019.

Materiality

The sensitivity of an issue to stakeholders and to ITC, in terms of importance, forms the basis of the materiality analysis, which in turn guides the processes for identifying, managing and devising specific action plans for addressing these material aspects. The outcome of the materiality analysis is presented in the form of a matrix that depicts the material topics based on two dimensions - importance to stakeholders and importance to ITC's Businesses. The topics have been categorised relative to each other and the placement of a topic under the 'low' importance category only implies that existing systems and controls are commensurate with stakeholders' present priorities. For more details, please refer to the Stakeholder Engagement section of ITC's Sustainability Report 2019.





Risk Management Framework

As a diversified enterprise, ITC continues to focus on a system-based approach to business risk management. Risk management has always been an integral part of the Company's 'Strategy of Organisation' and straddles its planning, execution and reporting processes and systems. Backed by strong internal control systems, the current Risk Management Framework consists, inter alia, of the following key elements:

- The Corporate Governance Policy approved by the Board clearly lays down the roles and responsibilities of the various entities in relation to risk management covering a range of responsibilities, from the strategic to the operational.
- The Risk Management Committee, constituted by the Board, presently comprises all Executive Directors and some senior members of management. The Chairman & Managing Director of the Company is the Chairman of the Committee with the Chief Risk Officer serving as Secretary to the said Committee. It monitors and reviews the strategic risk management plans of the Company as a whole and provides necessary directions on the same.

- The Corporate Risk Management Cell, through focused interactions with the businesses, facilitates the identification and prioritisation of strategic and operational risks, the development of appropriate mitigation strategies and conducts periodic reviews of the progress on management of identified risks.
- The annual planning exercise requires all businesses to clearly identify their top risks and set out a mitigation plan with agreed timelines and accountability. The senior management of the Company also periodically reviews the risk management framework in order to ensure that the risks identified across businesses are aggregated at the organisation level and are effectively addressed and managed.

For more information on the Risk Management Framework, please refer to the Risk Management section of the Report of the Board of Directors forming part of ITC's Report and Accounts 2019. Additionally, details on ITC's risks and opportunities are presented in the 'Managing Risks and Realising Opportunities' section of this Integrated Report.

CREATING THE ENTERPRISE OF TOMORROW, TODAY

“Enterprise of Tomorrow” reflects ITC’s aspiration and its commitment to chart a path that will continue to create enduring value for its stakeholders.

An enterprise of tomorrow is one that goes beyond the commitment to the market to create larger value for all its stakeholders. It is one that pursues competitive growth even as it enriches the environment and creates opportunities for sustainable livelihoods. It is an organisation that invests not only in meeting the needs of the present but also in securing a better, safer and more inclusive future for generations to come.

At ITC, this commitment to create an enterprise of tomorrow resides in its chosen strategy to pursue ‘Responsible Competitiveness’ – a socio-economic-environmental construct that underpins the Company’s objective to be future

ready while ensuring that growth is sustainable and inclusive.

ITC firmly believes that businesses can bring about transformational change. Apart from financial resources, the strength of the multi-talented managerial resources,

creative capacity and innovative capability as well as presence in numerous touch points across the socio-economic and environmental realms enable businesses to contribute effectively in creating enduring value for all stakeholders.

ITC'S BUSINESSES



FMCG Businesses

- FMCG Businesses spanning a range of segments including Branded Packaged Foods, Personal Care Products, Education and Stationery Products, Incense Sticks (Agarbattis), Safety Matches and Cigarettes.
- India's leading FMCG marketer
- 25+ world-class Indian brands
- Attained leadership position in several categories



Hotels

- One of India's pre-eminent hospitality chains
- With over 105 properties under 4 brands spread across the country, the Company's Hotels Business is a trailblazer in green hoteliering
- ITC's Premium Luxury Hotels are LEED® Platinum Certified



Paperboards & Packaging

- The Paperboards and Specialty Papers Division is India's largest, most eco-friendly and technologically advanced paper and paperboards business.
- Large-scale afforestation programme covering more than 730,000 acres
- The Packaging and Printing Business provides contemporary and superior packaging solutions utilising its state-of-the-art technologies and processes
- Clear market leader in the Indian Paperboard and Packaging industry



Agri Business

- ITC is one of India's largest integrated Agri Business enterprises with significant presence across every node of the agri value chain – Crop Development, Procurement, Supply Chain, Processing and Marketing
- Pioneer in rural transformation through ITC e-Choupal empowering over 4 million farmers across 35,000 villages
- Largest private sector procurer of wheat in India
- Spearheading climate smart agriculture

For more details on ITC's Businesses and Brands, please visit <https://www.itcportal.com/>

KEY ORGANISATIONAL GOALS 2030

Creating Economic Value

- Strengthening ITC's position as one of India's most valuable corporations.
- Sustaining leadership in business segments where ITC is already a market leader and attaining leadership position in other business segments.
- Investing aggressively in all businesses of the Company towards enhancing its market standing and long-term wealth generating capability, in a manner that ensures a return in excess of the Company's cost of capital on aggregate net assets deployed at all times.

Creating Social Value

- Creating sustainable livelihoods for 10 million people by 2030.
- Scale up social investment programmes to empower rural communities.
- Sustain and strengthen the human capital capability to meet business goals and enhance ITC's standing as a leading employer through purpose driven investments in people development and talent management practices that continue to enhance ITC's competitive capacity.

Environmental Stewardship

- 50% of total energy from renewable sources.
- Strengthen ITC's leadership position as a carbon, water and solid waste recycling positive organisation.
- 50% reduction in Specific Emissions and 35% reduction in Specific Energy Consumption by 2030 over a 2010-11 baseline.
- Benchmark operations to Global Standards for Specific Water Consumption.
- Achieve sequestration of over two times the CO₂ emissions from operations by 2030.
- Creation of rainwater harvesting potential equivalent to over three times the net water consumption from operations by 2030.
- 100% of packaging to be reusable, recyclable or compostable.



ITC - LOOKING BACK AT 2018-19

2018-19 IN NUMBERS

Creating Economic Value		Creating Social Value	Environmental Stewardship	
Direct Employment generated by ITC	Market Capitalisation of over	Sustainable Livelihoods created*	ITC's Energy from Renewable Sources	No. of USGBC/IGBC certified Platinum Buildings*
27,000+	\$50 Billion	6 Million	41%	24
Gross Sales Value of	Contribution to the Exchequer as a % of Value-Added during the year	Farmers empowered through e-Choupal*	Carbon Sequestered in 2018-19	
\$10.8 Billion	73%	4 Million	52,38,470 tCO₂	
No. of World-Class Indian Brands	Businesses of Tomorrow	Employment Generated (person-days) through Social and Farm Forestry Initiatives*	Total Rain Water Harvesting Potential Created (kl)*	Rainwater Harvesting Potential Created Compared to Net Water Consumption
25+	13	135 Million	35.35 Million	3X
No. of Premium Hotels	Manufacturing Units	No. of Children covered under various Education Initiatives*	ITC's Solid Waste Management Programmes Dry Waste Sustainably Managed in 2018-19	
105+	200+	6,90,882	54,000+ tonnes	

* Cumulative Data

HIGHLIGHTS FROM 2018-19

NITI Aayog – ITC collaborate to train 200,000 farmers

NITI Aayog and ITC entered into a four-year partnership for the Aspirational Districts Program in the areas of Agriculture and Allied sectors in order to strengthen farming systems in the said districts. Over 200,000 lead farmers in 27 districts are being trained as a part of the partnership.

ITC commits to 100% reusable, recyclable or compostable packaging

ITC made a pledge on the occasion of the World Environment Day that over the next decade, it will deploy superior solutions so that 100% of its product packaging will be reusable, recyclable or compostable.

Farmers' income doubles through ITC's 'Baareh Mahine Hariyali' programme

ITC's integrated programme 'Baareh Mahine Hariyali' (maximising farm utilisation over 12 months of the year) is being piloted in select areas of ITC's operations, progressively reaching out to over 1 Million farmers. The pilot implemented in 4 districts of Uttar Pradesh covered nearly 200,000 farmers out of which around 30,000 farmers, who adopted all the elements of the programme, reported doubling of their income.

5 ICML facilities become commercially operational

ITC is investing in several modern state-of-the-art Integrated Consumer Goods Manufacturing and Logistics (ICML) facilities across the length and breadth of the country to enable its FMCG Businesses to rapidly scale up. Commercial production has already commenced at 5 such facilities in Uluberia and Panchla in West Bengal, Guwahati in Assam, Kapurthala in Punjab and Puddukkotai in Tamil Nadu and others are in various stages of development.



ITC's Waste Management Initiatives create impact on the ground

ITC's Solid Waste Management Programmes in Saharanpur, Munger and Muzaffarpur created impact on the ground and were recognised across various platforms:

- First prize in the Uttar Pradesh Swachh Ward Pratishpardha, 2018 for decentralised waste management practices in Saharanpur
- In Swachh Survekshan 2019, Saharanpur attained a State Rank of 6 (out of 64) and a National Rank of 92 (out of 425). Munger received a State Rank of 1 (out of 26) and a National Rank of 271 (out of 425)
- Muzaffarpur became the first city in Bihar to have its own solid waste management by-laws
- ITC has spearheaded a dedicated initiative for enabling comprehensive waste management in select temples under the banner of 'Green Temples' in Tamil Nadu

Two new hotels added to ITC Luxury Collection Hotels portfolio

In 2018-19, two new Luxury Collection Hotels were opened - ITC Kohenur in Hyderabad (commissioned in Q1 FY19) and ITC Grand Goa, Resort & Spa (commissioned in Q3 FY19) which have received excellent reviews from discerning guests, raising the bar of service excellence.

ITC augmented its FMCG product portfolio with 50+ launches in 2018-19

During the year, ITC launched more than 50 new and differentiated FMCG products under several of its world-class Indian brands.



ITC continues to green its Sustainable Leaf Tobacco Value Chain

In 2018-19, ITC maintained the carbon positive status for its Leaf Tobacco Farm Value Chain for the second year in a row. ITC's approach to sustainability in the leaf tobacco value chain has also been acknowledged by the Sustainable Tobacco Programme (STP) review conducted by an independent third party. The 2018 STP Self-Assessment scores attained by ITC are the best achieved by any Indian supplier and are also globally benchmarked across all pillars of STP.

ITC-James Hutton Institute, Scotland, UK to introduce new Potato varieties in India

Technico Agri Sciences Limited (ITC's 100% subsidiary) entered into an agreement with the James Hutton Institute, Scotland, UK to source 16 new varieties and 600 new clones of potato for trials and testing in India to further benefit India's farmers, potato processing industry and potato exports.

MANAGING RISKS AND REALISING OPPORTUNITIES

The World today faces many risks...

Global Context

Some of the key challenges that endanger the world today are a direct outcome of human action. The world faces the growing concern of unemployment and rising socio-economic inequality. The fact that the richest 1% have accumulated more wealth than the rest of the world put together, reflects this reality better than any other fact.

Food crisis is another challenge that threatens the world. While the rising world population requires food production to be doubled by 2050 to meet the growing demand, every year land equal to the size of Iceland is adversely affected due to top soil erosion. Changing weather patterns and shortage of fresh water will further aggravate the food crisis.

Over the last few years, environmental risks have emerged as some of the top concerns in the World Economic Forum (WEF) Report on Global Risks¹. These risks include extreme weather events, natural and man-made environmental disasters, failure of climate change mitigation and adaptation, biodiversity loss and ecosystem collapse, and water crisis. Additionally, rapid urbanisation, coupled with poor planning and rising income levels, have placed unprecedented pressure on urban infrastructure.

These global risks transcend borders and will require all stakeholders to work together. However, the current and potential impact of above risks on developing countries is expected to be far graver, both in scope and scale. Countries like India, while being cognizant of the larger global challenges, will have to shape their own sustainability agenda with focus on issues that have an immediate and direct impact on their society.

Indian Context: Nexus of Social and Environmental Issues

India is home to a large share of the world's poor. Its resources, relative to its population, are meagre. With 17% of the world's population, India has only 2.4% of land area, 4% of freshwater and 1% of forest resources. In less than a decade from now, India's population is slated to outstrip that of China, further stretching the ecological and economic resources needed for development. Providing food, water, energy, education, healthcare and above all, livelihood security to the estimated 1.5 billion people will undoubtedly be a daunting challenge.

The direct and cascading impacts of climate change are now well-documented and universally acknowledged, and are being felt across the globe including in India. The latest report² from UN

Intergovernmental Panel on Climate Change (IPCC) warns that the global community has only 12 years to limit global warming to a maximum of 1.5°C beyond which even half a degree rise will significantly increase the risks of drought, floods, extreme heat and poverty for hundreds of millions of people.

NITI Aayog in its report titled 'Composite Water Management Index' (2018) warns that India is undergoing the worst water crisis in its history with more than 600 million people subjected to high and extreme water stress. At the same time, India's water supply and demand landscape remains mired with issues emanating from inefficient use of water, over exploitation of groundwater reserves without adequate recharge and variation in surface water availability. Moreover, India is faced with rapid and unplanned urbanisation. Increasing population, higher consumption levels and inadequate infrastructure are putting a severe strain on the environment. A large amount of waste including plastic waste being generated today ends up in landfills, leading to serious concerns of public health as well as large scale environmental degradation. Resolving these issues will require an enabling policy framework along with massive investment in infrastructure and active involvement of public and the private sector as well as civil society.

¹ The Global Risks Report 2019, WEF

² IPCC Special Report on Global Warming of 1.5°C approved by governments, 2018

ITC Context

ITC operates in the global Indian market and ITC's world-class Indian brands ensure that larger value is created, captured and retained in the country for national development and growth. In line with the risks and opportunities that may impact India's economic, social and environmental sustainability, ITC has mapped the key challenges, risks and opportunities likely to impact its long-term prospects and those of its stakeholders.

1. Increasing complexity of operations in the context of a highly diversified business portfolio

Risk Mitigation Strategy

- ITC's Strategy of Organisation and three-tier governance structure ensure that:
 - Strategic supervision (on behalf of the shareholders), being free from involvement in the task of strategic management of the Company, can be conducted by the Board of Directors with objectivity, thereby sharpening accountability of management;
 - Strategic management of the Company, uncluttered by the day-to-day tasks of executive management, remains focused and energised; and
 - Executive management of the divisional business free from collective strategic responsibilities for ITC as a whole, gets focused on enhancing the quality, efficiency and effectiveness of the business to achieve best-in-class performance.
- By segregating strategic supervision from strategic and executive management, the governance framework facilitates in striking the right balance between freedom of management and accountability to shareholders.

- The governance structure also enables each business to focus on its operating segments while harnessing the diversity of the Company's portfolio of businesses to create unique sources of competitive advantage.
- Driving synergistic growth and enhancing the competitive power of the portfolio by blending the diverse skills and capabilities residing in various Businesses of the Company.

Capitals Impacted



2. Sustaining market leadership despite increasing competitive pressures

Risk Mitigation Strategy

- Investing in world-class Integrated Consumer Goods Manufacturing and Logistics facilities (ICMLs) which will provide ITC's brands a competitive edge in terms of scale, freshness, enhanced cost efficiency and close-to-market distribution.
- Focusing on efficient supply chain management and backward integration.

- Fostering a culture of innovation and focusing on R&D, leveraging the capabilities of ITC Life Sciences and Technology Centre and best-in-class product development processes.

Capitals Impacted



3. Attracting and retaining the best talent given the multitude of options available to skilled professionals

Risk Mitigation Strategy

- Creating a shared mindset across ITC to ensure that employees are inspired, engaged and aligned to ITC's Mission, Vision, Values and Strategic Agenda.
- Continuously strengthening and leveraging ITC's Talent Brand – 'Building Winning Businesses. Building Business Leaders. Creating Value for India', backed by strong corporate equity to attract and retain high quality talent.

Capitals Impacted



4. Ensuring harmonious employee relations to enable smooth functioning and productivity enhancement

Risk Mitigation Strategy

- Building talent pipeline across levels through world-class training and development interventions. Nurturing specialism to meet the growing and diverse talent requirements.
- Benchmarking compensation package at each level to reference groups; aligning compensation structure with performance at the Company, business and individual levels including adequate weightage to variable pay component.

- Leveraging the 'Good Employee Relations' approach in ensuring responsive manufacturing, flexible work systems and, at the same time, maintaining a cost and environment conscious ecosystem in all units.

Capitals Impacted



5. Adverse impact of water and energy scarcity on production

- Low productivity of rain-fed agriculture due to climate change induced rainfall disturbances can adversely affect the businesses.

Risk Mitigation Strategy

- Continuing to focus on energy conservation initiatives and enhancing the share of renewable energy in ITC's total energy requirement.
- Integrated water management approach that includes optimisation of usage at units to minimise withdrawal, both at the plant as well as sub-catchment/micro-watershed level, followed by augmenting supply at the sub-catchment level through various water stewardship interventions.
- Comprehensive programmes focusing on social forestry, soil and moisture conservation, biodiversity conservation and sustainable agriculture.
- Operationalising Reduce-Reuse-Recycle model of waste management.
- Contingency planning in supply chain.

Capitals Impacted



6. Impact of punitive and discriminatory taxation and regulatory policies on the legal cigarette industry in India

- Sub-optimisation of revenue potential of the tobacco sector due to shift in consumption to lightly taxed / tax-evaded tobacco products.
- Fillip to contraband cigarette trade in India due to attractive arbitrage opportunities; significant loss of revenue to the exchequer.
- Subdued demand for Indian tobacco due to pressure on legal cigarette industry volumes; adverse impact on farmer earnings



and livelihoods dependent on tobacco value chain.

Risk Mitigation Strategy

- Engagement with industry bodies to pursue policy for reasonable, pragmatic and evidence based regulation and taxation policies that balance the health, employment and economic imperatives of the country. Also highlighting the growing threat of illegal and smuggled cigarettes.
- ITC has embarked upon a strategy that creates multiple drivers of growth by developing a portfolio of world-class businesses that best match organisational capabilities with opportunities in the domestic and international markets.

Capitals Impacted



7. Corporate Reputation

- Risks arising due to inadequate protection against malicious attacks, misinformation or misrepresentation, including those on social media. This can impact ITC's customer loyalty/ consumer franchise.

Risk Mitigation Strategy

- Structured media engagement plan in place.
- Effective engagement and responsible advocacy with stakeholders on issues relating to ITC's products, services, initiatives and business practices.

- Leveraging publicly available web applications and dedicated brand advocacy platforms to disseminate information about ITC and its brands in the digital space.

Capitals Impacted



8. Adverse impact on ITC's operations and performance due to market risk, credit risk and liquidity risk

Risk Mitigation Strategy

- Robust risk management practices in place, governed by a combination of centrally issued policies and standard operating procedures at the divisional level.
- Centralisation of treasury operations to focus on deployment of surplus liquidity and management of forex exposures within a well-defined risk management framework.
- Independent and regular internal audits, supported by project and IT audits, and Risk Management Cell.
- Comprehensive framework in place to manage risks arising out of commodity sourcing and agri-commodity trading. This includes effective market monitoring systems, continuous tracking of net open positions and 'Value at Risk' against approved limits, use of futures contracts, backward integration and in-house manufacturing (e.g. pulp, print cylinders in packaging).

- Large and diverse customer base ensuring diversification of risk.
- Strong cash flow generation from operations thereby making ITC virtually debt-free.

Capitals Impacted



9. Disruption of business operations due to non-availability of critical Information Technology (IT) systems and unauthorised access through cyber attacks

Risk Mitigation Strategy

- Identification of critical IT systems that have a bearing on business operations and putting in place an IT Continuity Plan for such critical systems. The Plans are tested periodically and kept relevant.
- Implementation of contemporary security practices and technologies
- ITC's IT security posture is reviewed at least once every 3 years by a third party specialising in Information Security and the security posture is strengthened based on recommendations of the assessment.

Capitals Impacted



CREATING ENDURING VALUE

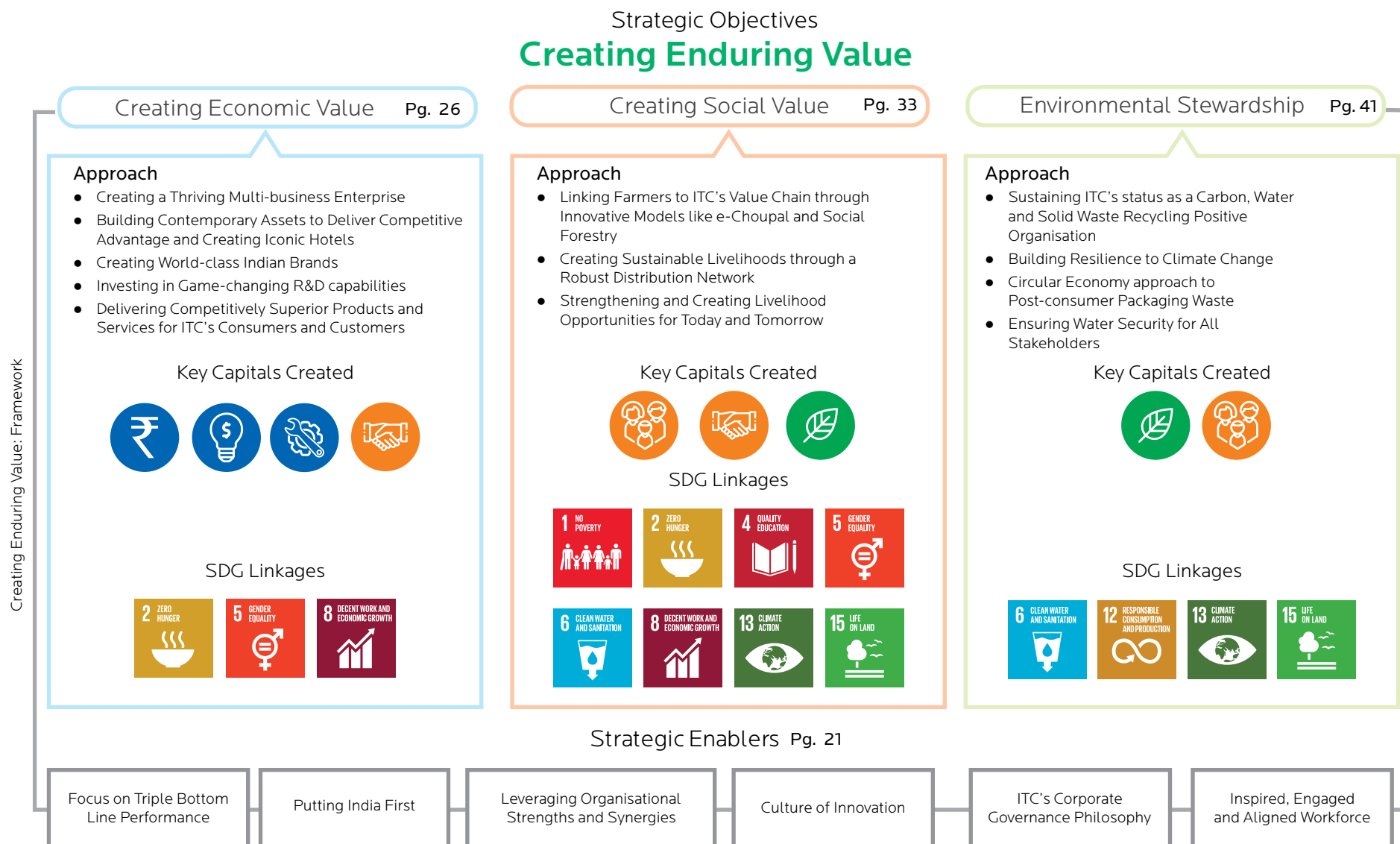
ITC's quest is to attain extreme competitiveness in each of its businesses and create shareholder value, while at the same time ensure the replenishment of environmental resources and creation of large-scale sustainable livelihoods and deliver on the Organisation-wide promise of 'Putting India First'.

Towards this end, Capitals are strategically deployed to create enduring value supported by key enablers that are unique to ITC, ensuring that ITC continues to create, preserve and replenish these Capitals in a virtuous cycle.

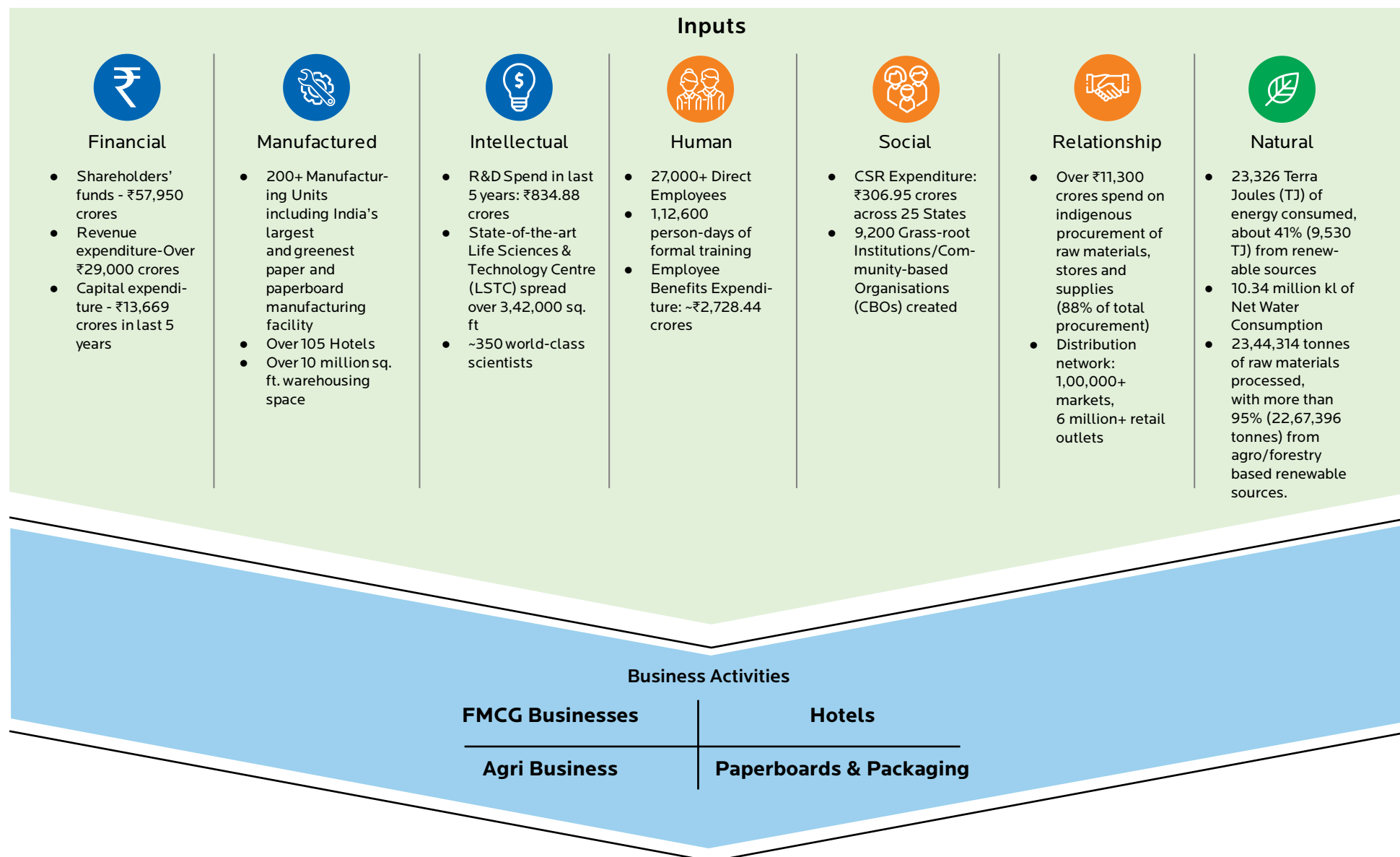
Inside this section

- ITC's Approach
- ITC's Value Creation Model
- Strategic Enablers: Key Differentiators for ITC

ITC's Approach



ITC's Value Creation Model



Outputs

Market Capitalisation*

₹3,63,714 Cr

Gross Sales Value

₹75,309 Cr

Contribution to the National Exchequer (All Taxes)

₹36,585 Cr

Non-Cigarette Revenue

₹29,427 Cr

*As on 31st March 2019

Outcomes: Capitals Created, Preserved and Replenished



Financial

- PBT ₹18,444.16 crores, 12.2% growth y-o-y
- PAT ₹12,464.32 crores, 13.8% growth y-o-y
- EPS ₹10.19
- 22.3% - Total Shareholder Returns CAGR since 1996 (as on March 2019)
- Amongst the top 3 Indian corporates in the private sector in terms of Contribution to the Exchequer



Intellectual

- 25+ World-class Indian Brands
- New Product Launches: 50+



Social

- 6 million livelihoods created
- 4 million farmers empowered through e-Choupal
- 135 Million person-days of employment generated through social and farm forestry initiatives
- Around 6,91,000 Children covered under education programme and around 67,500 youth skilled and trained



Human

- Engaged employees – 92% of employees are proud to work for ITC
- Amongst the Top 8 most preferred employers as voted by MBA students from premier Indian institutes (Nielsen)



Natural

- Carbon positive for 14 years, water positive for 17 years and solid waste recycling positive for 12 years
- 5,238 Kilo tonnes CO₂ GHG Removals
- 67.25 TJ energy saved in 2018-19
- 35.35 Million kl Rainwater Harvesting Potential created
- Unit level water security interventions at key units, two units undergoing AWS certification
- ITC's Solid Waste Management Programmes reached out to over 2.44 Million households, sustainably managed 54,000+ tonnes dry waste including 7,400 tonnes of multi-layered/low-value plastic waste in 2018-19

Strategic Enablers: Key Differentiators for ITC

1. Focus on Triple Bottom Line Performance



Inspired by a patriotic fervour to serve larger national priorities, ITC redefined its vision two decades ago to make societal value creation the bedrock of its business strategy. The need to sustain global competitiveness in economic value creation, whilst simultaneously creating larger societal value, has led to innovation in business models that seek to synergise the building of economic, ecological and social capital as a unified strategy. This Triple Bottom Line approach has, over the years, spurred innovation in strategy and execution to deliver significant outcomes.

Leveraging ITC's innovative capacity, enterprise strengths and its presence in rural communities, ITC has designed and implemented large-scale programmes to create sustainable livelihoods, empower local communities, enrich the environment and address the challenges of climate change. It is a matter of great satisfaction that the Company is today a global exemplar in sustainability. ITC has sustained its position as the only company in the world to be carbon positive, water positive and solid waste recycling positive for over a decade. ITC's businesses and value-chains generate sustainable livelihoods for over 6 million people.

ITC's social investments programmes, such as e-Choupal, Social & Farm Forestry, Watershed Development, Animal Husbandry, Women Empowerment, Vocational Training, Primary Education, Health and Sanitation and Solid Waste Management have created a viable model for transformational change in rural India.

2. Putting India First



ITC's super-ordinate vision to create enduring value for the nation is manifest in the foundation of multiple drivers of growth across businesses of tomorrow, which have achieved significant market standing and leadership. Today, ITC is the leading FMCG marketer in India, a globally acclaimed icon in green hoteliering, the clear market leader in the Indian Paperboard and Packaging industry and a pioneering trailblazer in farmer and rural empowerment through its Agri Business. This transformation has also enabled ITC to be a growing and significant contributor to the national economy. In the coming years, ITC's world-class manufacturing facilities will expand the nation's industrial capital, while the iconic hotel properties will contribute to the country's tourism landscape. ITC's world-class Indian brands create, capture and retain value in India.

ITC's investments and multipronged initiatives in supporting agricultural and rural development will further contribute to doubling of farmers' income. ITC's commitment towards a paradigm of growth that is sustainable and inclusive will continue to shape a better and secure future for its stakeholders and the nation.

3. Leveraging organisational strengths and synergies



The competitiveness of ITC's diverse businesses relies on the strong foundations of institutional capacities — deep consumer

insights, differentiated product development, extensive rural linkages and agri-sourcing network, globally benchmarked manufacturing infrastructure, cutting-edge R&D, effective brand-building capability, efficient trade marketing and distribution network and human resources with diverse skills and capabilities.

The Foods Division of ITC, for example, is able to derive unique advantages from the agri-sourcing strengths of e-Choupal, the culinary expertise of ITC's hotel chefs, packaging innovations from the packaging business, the knowledge of brand building and customer insights from FMCG Businesses and the reach of ITC's extensive Trade Marketing and Distribution network. This has enabled the Foods Division to craft unique offerings that are aligned to the consumers' emerging tastes and preferences.



Synergies within ITC: A few examples

Aashirvaad Atta

An example of synergy of superior agri-sourcing and culinary expertise of hotel chefs is evident in the remarkable success that has been witnessed in the leadership of Aashirvaad atta. Its strong emotional bond with consumers is a direct result of the specially crafted unique blends of identity preserved wheat customised to meet regional preferences.

ITC Master Chef Super Safe Prawns

ITC has also launched the ITC Master Chef Super Safe prawns which leverage ITC's 45-year legacy in exporting to the most exacting markets of the world with stringent quality standards.

Classmate and Paperkraft

ITC's stationery brand, Classmate, is yet another unique example of leveraging synergies between the Company's businesses. ITC's large-scale Afforestation Programme which provides marginal and tribal households with a commercially viable land use option for their low productivity lands by assisting them to convert these into pulpwood plantations has enabled the Company to offer the greenest paper and paperboard products, as seen in ITC's stationery brands such as Classmate and Paperkraft. These plantations also provide a source of wood pulp to ITC's Paperboards and Specialty Papers Business. The large-scale Afforestation Programme has covered 7,32,903 acres and has created about 135 million person-days of employment.

4. Culture of Innovation



ITC's strong portfolio of world-class brands and products is supported by cutting-edge R&D executed by the globally benchmarked, state-of-the-art ITC Life Sciences and Technology Centre (LSTC) in Bengaluru. LSTC is working on game-changing R&D, driving science-led product innovation with a world-class team of over 350 highly qualified scientists. The focus is on designing differentiated and superior solutions that address the unique needs of the Indian consumers.

Strengthening innovation across the organisation is a key business imperative for ITC in these times of rapid business change and heightened competition. Fostering a culture of innovation is important to ensure that ITC continues to strengthen its market standing, create competitive advantage and be future ready. i4i, the ITC Innovation Competition, is an internal forum for recognising high impact ideas and extraordinary innovators within the ITC ecosystem. i4i allows each business to showcase impactful innovations in the areas of core processes, new products, features and services and futuristic innovations focusing on emerging technologies like Artificial Intelligence, Automation, and Big Data etc. ITC also established the Industry 4.0 platform in November 2017 to serve as a collaborative forum for mainstreaming next generation technologies across various business processes. The digital platform brings together domain information on various Industry 4.0 projects being implemented within ITC by different businesses along with details of key technology partners. To further aid the knowledge quotient of businesses, curated content from Industry experts is also made available to all internal business teams.



5. ITC's Corporate Governance Philosophy



ITC's corporate governance philosophy is anchored on the values of trusteeship, transparency, ethical corporate citizenship, empowerment & accountability and control. ITC believes that since large corporations employ societal and environmental resources, governance processes must ensure that they are utilised in a manner that meets stakeholders' aspirations and societal expectations. For superior Triple Bottom Line performance, ITC's Governance processes ensure that sustainability principles are embedded in business strategies and execution plans.

CSR and Sustainability Governance

The CSR and Sustainability Committee of the Board reviews, monitors and provides strategic direction to the Company's CSR and sustainability practices towards fulfilling its Triple Bottom Line objectives. The Committee seeks to guide the Company in integrating its social and environmental objectives with its business strategies and assists in crafting unique models to support creation of sustainable livelihoods.

The Committee formulates and monitors the CSR Policy and recommends to the Board, the annual CSR Plan of the Company. The Committee also reviews the Business Responsibility Report of the Company.

The Corporate Management Committee (CMC) has also constituted the Sustainability Compliance Review Committee, which presently comprises seven senior members of management, with its Chairman being a member of the CMC. The role of the Committee includes monitoring and evaluating compliance with the Sustainability Policies of the Company and placing a quarterly report thereon for review by the CMC.

For more details on ITC's governance structure, please refer to the Report on Corporate Governance section of ITC's Report and Accounts, 2019 and the Corporate Governance section of ITC's Sustainability Report 2019.

6. Inspired, Engaged and Aligned Workforce



In a rapidly changing, ambiguous and highly competitive environment, it is the human capital that makes ITC exceptional, both in driving world-class performance as well as in enhancing its reputational capital. Hence, ITC focuses energy on sustaining its position as one of India's most valuable employers, developing an increasingly engaged workforce which is competitively-superior and performance-driven operating in an environment of meritocracy.

A systemic approach in the area of Human Resources impacts and creates synergies between the system, the policies and the people. ITC's approach towards human resources will continue to be focused towards creating individuals who act with commitment, comprehension and an entrepreneurial mind-set. ITC's systems and strategies will nurture a superior talent pool that is inspired by the organisation's ethos. ITC's mandate of distributed leadership, differentiated people policies and diversified talent pool will continue to provide unique leverage to be customer-focused, competition-differentiated, and future-ready. ITC's Human Resources approach spans across the four key organisational aspects of Agility, Alignment, Ability and Architecture; which is supported by action plans in individual businesses customised to areas of impact such as talent acquisition, engagement, capability building, employee relations, performance & rewards and employee well-being.

Nurturing Leaders of Tomorrow

ITC's strong employer equity has enabled attraction and retention of high quality talent. The management trainee programme coupled with recruitment of high quality talent from the market, when required, is an integral part of ITC's leadership pipeline development process.

It is ITC's belief that leaders of tomorrow are built through functional expertise, challenging assignments and diverse business exposure. ITC strives to strengthen the pool of high-quality talent through mentorship, coaching and learning opportunities. This focus is aptly articulated in ITC's Talent Brand: Building Winning Businesses. Building Business Leaders. Creating Value for India. Through Young Manager Committees and Executive Committees across select businesses, managers are provided opportunities to shadow senior leadership and collaborate on strategic and business critical assignments. ITC also provides the unique opportunity to create products and categories right from incubation which resembles a culture of start-ups and has enabled the development of professional entrepreneurs – 'pro-neurs' who will power the growth of ITC going forward.

Employee Engagement: The ITC Way

ITC's focus on creating a stimulating work environment supported by a caring and compassionate work ethos enables employees to thrive and deliver winning performances. ITC's efforts consistently

aim to positively influence all aspects of an employee's life – physical, mental and emotional. ITC also enables an environment supportive to employee's personal lives and lifestyle choices while meeting the Business objectives. Specific elements of ITC's work practices and culture are directed by the management approach articulated in Board-approved Policies on 'Diversity and Equal Opportunity', 'Freedom of Association' and 'Environment, Health and Safety', among others. Beyond every framework, enabler or outcome, the success of employee centric policies across businesses can be attributed to a "relationship" that inspires pride and leadership across all levels. It is something that, over time, has become the "ITC way" guiding and influencing thought leaders and practitioners with equal panache.

In 2018, ITC completed the second edition of its Employee Engagement Survey - iEngage, capturing employee perceptions and views on various workplace dimensions which received a response rate of 96%. In this survey, 92% of employees said that they were proud to work for ITC, a score that is amongst the highest globally. The scores on dimensions such as Employee Engagement Index, Performance Enablement Index and Managerial Effectiveness Index also showed improvements over the previous survey undertaken in the year 2016.

The results of the survey also set the agenda for action planning across various groups in the organisation. Various initiatives in the spheres of Employee Well-being, Work life Balance and Growth & Development were reinforced during the year. Specific actions were taken in the areas of Employee Recognition through introduction of recognition platforms across businesses, communication through Town Halls, skip level meetings and direct interaction of identified managers with the senior leadership of the organisation. Action was also taken to strengthen the career dialoguing process



and enhancing collaboration at workplace through employee involvement interventions. ITC launched two engagement platforms for employees this year, 'StudioOne', which created an avenue for employees to interact with leaders on various issues including ITC's vision, strategy, milestones and expectations, and 'BeOne', which provided an opportunity to share and promote success stories in different divisions, enabling sharing of good practices. To enhance the salience of ITC's products, services and share milestone events through a digital platform, the mobile enabled application IRIS was launched. Through IRIS, employees and stakeholders can share content related to ITC across their social media platforms, thus creating a sense of pride in ITC brands, services and initiatives.

ITC's approach to enthusing talent with market driven remuneration, learning avenues, quality of life and challenging work continues to play a pivotal role in enduring employee relationship. Rigorous and objective performance assessment and management systems provide impetus to the alignment between expectations and business outcomes. 'Career Conversations' to navigate and craft meaningful roles and manage aspirations were strengthened this year to provide a boost to performance and retention.

ITC believes that the achievement of ITC's growth objectives will depend largely on the ability to innovate continuously, connect closely with the customer, and create and deliver superior and unmatched customer value. This has been made possible by nurturing a culture of continuous learning, innovation and collaboration across the organisation. Towards achieving growth and profitability objectives, ITC has identified five capability platforms which we believe will have the greatest impact on improving ITC's competitiveness. These are Strategy Development, Value Chain, Leadership, Innovation and Human Resources Development.

For more details on ITC's Talent Management approach including information on Recruitment, Employee Engagement, Learning & Development, Employee Well-being Initiatives, Rewards & Recognition, Diversity & Equal Opportunity and Human Rights, please refer to Labour Practices and Decent Work & Human Rights section of ITC's Sustainability Report 2019.

Promoting a culture of safety

ITC believes that a safe and healthy work environment is a prerequisite for ensuring employee well-being, and adopting best

practices in occupational health & safety bears a direct impact on the Company's overall performance. It helps in attracting and retaining quality talent, and also in elevating ITC's brand as a responsible corporate citizen. ITC ensures that Environment, Health & Safety (EHS) standards at all units are continuously ahead of legislation and are benchmarked with the best international practices.

ITC's approach towards best-in-class occupational health & safety standards is articulated in the Board approved EHS Policy. It is based on an EHS management system which emphasises continuous improvement supported by ongoing investments in state-of-the-art technology and quality human resources. ITC's commitment to provide a safe and healthy workplace to all, has been reaffirmed by several national and international awards and certifications received by various units. With an aim to percolate safety deeper into ITC's operational practices and achieve the 'zero accident' goal, the ITC has developed a comprehensive EHS strategy founded on two pillars: Safety by Design & Safety by Culture. ITC will continue to implement this strategy through focused efforts involving:

- Integrating safety at the design stage itself and ensuring it through design reviews, stage inspections and pre-commissioning audits – with respect to infrastructure.
- Strengthening of engineering control measures through 'design for safety' principles, pre-commissioning and operational audits during design, construction and operational stages respectively.
- Progressively covering businesses under various behavioural based safety initiatives and custom-made risk based training programmes supported by planned job observation programmes. In 2018-19, 22,573 person-days of training were provided to employees on EHS related matters.
- Adoption of keystone behaviour by units to demonstrate collective commitment and create a shared vision of safety and discipline.

For more details related to the above, please refer to Occupational Health & Safety section of ITC's Sustainability Report 2019.

CREATING ECONOMIC VALUE

The first and foremost pillar of ITC's integrated strategy is to create economic value for all its stakeholders. ITC is one of India's leading private sector companies with a strong presence across all three sectors of the Indian economy – Agriculture, Manufacturing and Services – which has enhanced its capacity to make a meaningful contribution to the national economy. ITC is acknowledged as one of India's most valuable business corporations and continues to be among the top 3 Indian corporates in the private sector in terms of Contribution to the Exchequer.

Through sustained deployment of all seven forms of capitals, ITC has consistently delivered its promise of creating economic value through creation of multiple drivers of growth (financial capital), building world-class assets (manufactured capital) and world-class Indian brands (intellectual capital), investing in game-changing R&D capabilities (intellectual capital) and always delighting consumers (relationship capital) by offering a unique and a differentiated value proposition.

Inside this section

- Creating a vibrant multi-business enterprise
- Building contemporary assets to deliver competitive advantage and creating iconic hotels
- Creating world-class Indian brands
- Investing in game-changing R&D capabilities
- Delivering competitively superior products and services for ITC's consumers and customers
 - ◆ Consumer health & safety
 - ◆ Delivering future products aimed at nutrition, health and well-being
 - ◆ Enhancing consumer connect
 - ◆ Marketing responsibly

Key Capitals Created



SDG Linkages



Key highlights

- Investment outlay of ₹25,000 crore envisaged to support ITC's projects in manufacturing, hospitality, distribution and agri-backend.
- 5 state-of-the-art Integrated Consumer Goods Manufacturing and Logistics (ICMLs) facilities made commercially operational by 2018-19, several more under various stages of development.
- Extensive rebuild of a paperboard machine at Paperboards and Specialty Papers Division (PSPD) Bhadrachalam, adding 1,50,000 tonnes per annum of value-added paperboard capacity.
- Cutting-edge R&D executed by the globally benchmarked, state-of-the-art LSTC in Bengaluru.

Creating a Vibrant Multi-business Enterprise



Over the years, ITC's multiple drivers of growth have been carefully crafted to match internal competencies with the emerging opportunities of a growing Indian market. A robust portfolio of businesses leverages ITC's unique enterprise strengths in terms of its deep consumer insights, intimate rural linkages, superior agri-sourcing, path-breaking R&D, world-class manufacturing, brand building skills, culinary insights of ITC Hotels' chefs, innovative consumer packaging, focus on digital technologies and an extensive trade marketing, distribution and logistics network. These unique enterprise strengths enable ITC to create multiple drivers of growth across all the three sectors – agriculture, manufacturing and services.

In agriculture, ITC's engagements with farmers across the country, driven by its celebrated e-Choupal programme, have empowered over 4 million farmers. In manufacturing, supported by substantial investments in state-of-the-art technology, ITC has created excellent manufacturing facilities across the length and breadth of the country for its FMCG, Paperboards and Packaging Businesses. In the Services sector, ITC Hotels is a trailblazer in green hoteliering.

Building Contemporary Assets to Deliver Competitive Advantage and Creating Iconic Hotels



ITC's commitment to create enduring value for India is also manifest in its investments in the development of world-class manufacturing and hospitality assets. These investments that contribute to ITC's competitiveness and in building assets to serve the nation are in the form of state-of-the-art manufacturing facilities, iconic luxury hotels, logistics hubs and the globally benchmarked LSTC. An investment outlay of ₹25,000 crore has been envisaged to support ITC's projects in manufacturing, hospitality, distribution and agri-backend. Several of these projects are already on stream.

ITC is investing in several Integrated Consumer Goods Manufacturing and Logistics facilities (ICMLs) which will enable its FMCG Businesses to rapidly scale up. Creation of such world-class physical infrastructure for the future would enable ITC to constantly craft and deliver best-in-class products and provide ITC's brands a competitive edge in terms of scale, freshness and close-to-market distribution. Such facilities, which include food processing units, will further strengthen ITC's leadership across farm-to-fork value chain, enhance cost efficiency while enabling greater value realisation for the farmers, and reducing India's agri wastages. Commercial production has already commenced at ITC's integrated facilities in Uluberia and Panchla in West Bengal, Guwahati in Assam, Kapurthala in Punjab and Pudukkottai in Tamil Nadu. During the year, the Foods and Personal Care Products

Businesses continued to leverage ICMLs to service proximal markets in a highly efficient and responsive manner. Capacity utilisation at ICML Pudukkottai, commissioned in September 2018, was scaled up progressively. Further, the manufacturing capability of ICML Kapurthala was augmented with the commissioning of new state-of-the-art lines for Juices/Milk based beverages. Other ICML projects are in various stages of development – viz. land acquisition/site development, construction of buildings, equipment installation and other infrastructure, with the facilities in Medak and Ambarnath close to completion.

In the Paperboards and Specialty Papers Division, the operations of the Bleached Chemical Thermo Mechanical Pulp mill were further scaled up during the year thereby reducing import dependency and delivering substantial savings to the Division, especially in view of the sharp increase in imported pulp prices during the year. This manufacturing initiative, a first in India, has provided an income multiplier to farmers through agroforestry, apart from adding to the green cover and saving foreign exchange in perpetuity.

Capacity utilisation of the recently commissioned Décor machine at PSPD Tribeni unit was also scaled up during the year. An extensive rebuild of a paperboard machine at PSPD Bhadrachalam unit was completed during the year, adding 1,50,000 tonnes per annum in terms of value-added paperboard capacity. The rebuilt paperboard machine incorporates state-of-the-art technologies and enables manufacture of best-in-class coated boards delivering globally benchmarked parameters across the vectors of light-weighting and bulk improvement.

Creating World-class Indian Brands



It is ITC's belief that tomorrow's world will belong to those who create, own and nurture intellectual capital for the country. Successful brands and trademarks, which represent such intellectual capital, are a badge of honour for the country they belong to. ITC's world-class Indian brands anchor competitive and inclusive value chains that create, capture and retain large value within the country as opposed to brands owned overseas that rely on global supply chains and necessitate payments in the form of royalties, etc. Within a relatively short span of time, ITC has built over 25 world-class Indian brands, many of which are market leaders in their segments. This vibrant portfolio of brands represents an annual consumer spend of over ₹18,000 crores today.

Today, ITC's FMCG products reach every second household in India. In terms of annual consumer spend, Aashirvaad is today over ₹4,500 crores; Sunfeast over ₹3,800 crores; Bingo! nearly ₹2,500 crores; Classmate over ₹1,400 crores & YiPPee! over ₹1,100 crores and Vivel, Mangaldeep & Candyman are over ₹500 crores each. These world-class Indian brands support the competitiveness of domestic value chains of which they are a part, ensuring the creation and retention of value within the country.

Today, many of ITC's products have assumed market leadership -



Aashirvaad is **No. 1** in Branded Atta



Bingo! is **No. 1** in Bridges segment of Snack Foods (**No. 2** overall)



Sunfeast is **No. 1** in Cream Biscuits



Classmate is **No. 1** in Notebooks



YiPPee! is **No. 2** in Noodles



Engage is **No. 2** in Deodorants, **No. 1** in Women Deodorants



Mangaldeep is **No. 2** in Agarbattis and **No. 1** in Dhoop

Investing in Game-changing R&D capabilities



ITC's LSTC in Bengaluru is working on game-changing R&D driving science-led product innovation. LSTC seeks to achieve this by harnessing contemporary advances in several relevant areas of science and technology, and blending the same with classical concepts of product development and leveraging cross-business synergies. This challenging task of driving science-led product innovation is being carefully addressed by identifying the required set of core competency areas of science.

LSTC has evolved over the years and is presently resourced with more than 350 highly qualified scientists, world-class measurement systems and state-of-the-art facilities to conduct experimental research, rapid prototyping and process development. Several Centres of Excellence have been established over the past few years in these areas in LSTC. In addition, a number of areas centred around these capabilities have secured global quality certifications. The focus is on designing differentiated and superior solutions that address the unique needs of the Indian consumers.

ITC has been a forerunner in introducing first-to-the market innovative products for Indian consumers. A range of innovative and superior products is already in the market and there is a continuous pipeline of such products that are being readied for launch. Some of the innovative products launched by ITC include the Aashirvaad Sugar Release Control Atta - a low Glycemic Index atta, Sunfeast Farmlite Active Protein Power biscuits made from roasted Bengal gram, Farmland potatoes with natural antioxidants and the

Farmland Naturally Low Sugar potatoes and pocket perfume range Engage On, among others.

Delivering Competitively Superior Products and Services for ITC's Consumers and Customers



ITC, with its unwavering focus on quality, innovation and differentiation, is committed to delivering world-class products and services that create value for Indian customers.

Consumer Health & Safety

ITC's commitment towards ensuring compliance with applicable standards of health and safety commences at the design stage. Risks during procurement, manufacturing and delivery stages are also mapped and evaluated, based on which necessary control measures are deployed. The entire process is supported by advanced research and testing facilities at ITC's LSTC, whose laboratories conform to ISO/IEC 17025 and are certified by National Accreditation Board for Testing and Calibration (NABL).

Manufacturing units and Hotels are also housed in state-of-the-art facilities and internationally benchmarked quality management systems are implemented. All systems and practices are subject to periodic review to ensure that these remain up-to-date, in line with national and international developments. The quality performance of third party manufacturing facilities is also monitored regularly.

Some of the best practices from across ITC's Businesses include:

Agri Business

- Holistic approach of "Integrated Crop Engagement" to ensure that the product meets stringent food safety standards laid down by the US and the EU.

- For organic and sustainable farm practices in the processed fruits business, catering to specific customer segments, the Business has received the following international certifications:
 - Fairtrade Certification endorsing that the products meet defined environmental, labour and developmental standards
 - Demeter Certification for Biodynamic Farming
 - USDA (U.S. Department of Agriculture) Organic and India Organic Certifications for Organic Farming
 - Bio Suisse Certification for Organic Farming
 - ITC has also been working with chilli farmers to help them obtain Rainforest Alliance (RFA) certification for their farms, confirming adherence to sustainable agricultural practices. In 2018-19, the certification was expanded to cover cumin, turmeric, celery and coffee farms as well.
- 'ITC Master Chef' range of 'Super Safe' frozen prawns adhere to stringent international standards prevalent in the US, Europe and Japan. These products go through rigorous testing (240+ tests) and are 'individually quick frozen' to ensure freshness. Certifications like Best Aquaculture Practices and BRC (British Retail Consortium) Global Standard for Food Safety ensure adherence to the most stringent norms of food safety.



Branded Packaged Foods

- 77 out of 82 manufacturing locations are FSSC 22000/ISO 22000/Hazard Analysis and Critical Control Point (HACCP) certified. Certification of the remaining five newly commissioned units is in progress.
- All ICMLs are state-of-the-art, world-class manufacturing hubs with extensive focus on hygiene, automation and productivity.

Personal Care Products

- Strict testing protocols for conducting safety tests from prototype development stage to final product stage in accordance with international guidelines.
- All ingredients undergo rigorous analysis for toxicity and skin sensitivity prior to clearance for use in product development.

- Manufacturing takes place in a highly automated environment under strict hygienic conditions.

Hotels

- Robust food safety management systems as per HACCP/ISO 22000 are in place at all ITC Hotels. In addition, ITC Hotels adhere to Good Hygiene Practices (GHP) and Good Manufacturing Practices (GMP).
- All ITC Hotels adhere to the ITC Fire and Life Safety Management Guidelines that are based on National Fire Protection Association (NFPA) Codes and other international best practices.

Packaging and Printing

- All operations at Haridwar and Tiruvottiyur factories are as per

British Retail Consortium (BRC) Global Standard for Packaging and Packaging Materials.

Paperboards and Specialty Papers

- Pioneer in manufacturing Elemental Chlorine Free (ECF) pulp in India.
- All food-grade papers and paperboards are periodically tested for compliance with US FDA (U.S. Food & Drug Association) standards and European regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) and Restriction of Hazardous Substances (RoHS).

Education and Stationery Products

- Multiple process controls such as third party certifications, inline and final quality checks are deployed across the manufacturing process. Pencils and art stationery items are in compliance with the European Standard EN 71.

Incense Sticks (Agarbattis) and Safety Matches

- Chemicals approved by International Fragrance Resource Association, Geneva are used to prepare fragrances required in the manufacture of dipped Mangaldeep agarbattis.

For more details related to the above, please refer to Product Responsibility section of ITC's Sustainability Report 2019.



Delivering future products aimed at nutrition, health and well-being

Recognising the unique construct of ITC in terms of its strong presence in Agriculture, Branded Packaged Foods and Personal Care Products, a convergence of R&D capabilities is being leveraged for delivering future products aimed at nutrition, health and well-being. LSTC has created long term research platforms to evolve multi-generation product concepts.

LSTC has been working on a strategy of building a new value chain called 'Nutrition', with a special focus on 'Indianness' and 'health and well-being'. This concept is rooted in Value Added Agriculture (VAA) using medicinal and aromatic plants. Multiple value propositions have been identified in the area of functional foods, and progress is being made towards developing products of the future. Similar advances have been made in the area of personal care products covering health, hygiene and well-being. This segment of the growth engine continues to harness science and technology platforms established at LSTC. Significant advances in biology are seamlessly integrated with novel chemistry and materials sciences to create innovative and compelling concepts. Some of the examples include a new range of body wash, hand hygiene and fragrance products.

Enhancing Consumer Connect

ITC continues to focus on deepening consumer engagement through innovative brand campaigns in conventional and social

media platforms. A few examples from select Businesses are presented below:

Savlon launches the first ever Braille pack

ITC Savlon celebrated World Braille Day with the first ever Braille pack Savlon antiseptic liquid in India. The Braille packs have been designed not just to enable access but also help the visually impaired to identify and access the product easily. The initiative is not only to raise awareness on Braille but also enable a design language that enables inclusivity. The Braille packs have been distributed to National Association of Blind (NAB) centers in India and the initiative marks a beginning of a series of educative and interactive workshops in select blind schools in India in the first phase. In addition, Braille magazines, newspapers and radio form the core communication medium of outreach for the initiative.

Delivering Customised Packaging Solutions

ITC's Packaging and Printing Business is a leading provider of value added packaging for the consumer packaged goods industry and has established itself as a one-stop shop, offering a wide range of superior and innovative packaging solutions. The Business works extensively with its customers - the brand owners, in developing packaging solutions which are in turn used by them for enhancing the connect with their customers. These solutions include structural design for cartons that aids interaction with the consumer, labels with tactile effect including Braille incorporation for sensory connect and variable data printed packaging that enables higher level of customer connect.



Engaging with consumers on safe and nutritious agri-products

In line with its commitment to provide superior quality, safe, hygienic and nutritious offerings to consumers, ITC's Agri-Business Division has launched various distinct products leveraging capabilities in farm-to-fork value chain such as ITC Master Chef Super safe spices, Super safe frozen prawns, frozen snacks, Smart Onions and packaged potatoes and apples under 'Farmland' brand.

During the year, ITC demonstrated the uniqueness of its products at various retail outlets, food festivals and trade fairs and meets. In addition, innovative digital campaigns were launched with twin objective of showcasing the need for consuming safe and nutritious agri-products while stressing on national priority of increasing farmer income by opening up a new value-added market segment for Indian farmers.

Engaging with Students through the 'MyClassmate App' and 'Be Better Than Yourself' campaign

The Education and Stationery Products Business launched the 'MyClassmate App' towards enhancing consumer connect. The app contains several useful features for students such as modules pertaining to subject concepts, personal timetable organiser and metrics converter and has received encouraging response with excellent ratings from users. The unique Classmate 'Be Better Than Yourself' campaign, launched recently, continues to promote conversations amongst parents on the critical topic of supporting children to pursue their ambitions and has garnered wide followership across social media platforms. Aimed at driving tangible changes in society by encouraging children to realise their full potential by pursuing their personal goals and ambitions rather than comparing them with peers in terms of their achievements, the campaign has aided in deepening consumer connect and driving brand preference.

Marketing Responsibly

All Businesses/Divisions of ITC have established rigorous systems, standard operating procedures and review mechanisms to identify and comply with applicable laws and regulations concerning marketing communications. In addition to the above, ITC has put in place a dedicated consumer response cell to address consumer queries related to ITC products. ITC follows standard operating procedures to ensure that its marketing communications are in accordance with applicable statutes as well as voluntary codes adopted by each business. Marketing and advertising communications of all ITC's Businesses are vetted by the internal legal team for compliance. Such process compliances are validated periodically by Internal Audit Department.

- ITC's Consumer Goods Businesses adhere to voluntary and legal codes of conduct and follow the ASCI (Advertising Standards Council of India) Code for all marketing communications.
- ITC's Hotels Division follows a self-regulated marketing communications approach which is also guided by the ISA (Indian Society of Advertisers) rules and guidelines.

CREATING SOCIAL VALUE

In the social sphere, two of the most important stakeholders for ITC are the rural communities with whom the Company's agri-businesses have forged long and enduring partnerships through crop development and procurement activities; and the local communities residing in close proximity to ITC's manufacturing units, situated in urban and semi-rural locations. Over the years, ITC has invested significant resources (financial and human capital) for generating sustainable livelihoods for stakeholder communities thereby augmenting the stock of social capital.

ITC has been empowering rural communities by building grass-root user groups, providing scientific know-how and technical support for farmers to grow and manage their crops and plantations in a sustainable manner. The beneficiaries of these initiatives are not bound by contract to sell to ITC though the Company has always stood by them as a willing buyer. ITC's extensive distribution network covering 6 million retail outlets also provides significant sustainable livelihoods across its distribution value chain. For the local communities residing in the catchment area of manufacturing locations, ITC has implemented a Two Horizon Strategy which looks at securing sustainable livelihoods for these communities both today and tomorrow.

Inside this section

- Linking farmers to ITC's value chain through Innovative Models like e-Choupal and Social Forestry
 - ◆ ITC's Farm-to-Fork Value Chain
 - ◆ ITC's e-Choupal
 - ◆ ITC's Sustainable Paper Value Chain
 - ◆ ITC's Sustainable Leaf Tobacco Value Chain
- Creating sustainable livelihoods through a robust distribution network
- Strengthening and Creating Livelihood Opportunities for Today and Tomorrow: ITC's Mission Sunehra Kal

Key Capitals Created



SDG Linkages



Key highlights

- ITC Limited and NITI Aayog Partnership for improving agriculture and allied sectors in 27 aspirational districts trains more than 200,000 farmers
- A new mobile-based platform, e-Choupal 4.0 to be rolled out by mid 2019
- ITC's 'Baareh Mahine Hariyali' programme doubled farmer incomes in certain districts of Uttar Pradesh
- ITC procured more than 97,000 tonnes of FSCTM certified wood to manufacture FSCTM FM certified paper & paperboards in 2018-19
- ITC maintained the carbon positive status for its Leaf Tobacco Farm Value Chain for second year in a row

Linking farmers to ITC's Value Chain through Innovative Models like e-Choupal and Social Forestry



A conscious strategy to drive the competitiveness of value chains linked to its businesses enables ITC to make a more enduring contribution to national economic development. ITC's winning brands drive synergies to make these value chains sustainable and inclusive. At the same time, by nurturing and strengthening these value chains, ITC adds a unique source of competitive strength to its brands. These value chains contribute to farmer empowerment and enrich the rural ecosystem.

The close linkages between ITC's Businesses and agriculture provide a unique opportunity to engage with farmers across the country and help address some of the core challenges confronting them. ITC works on promoting sustainable agriculture practices that help farmers boost agricultural productivity and enhance farm incomes through multiple interventions like:

- Crop development for ensuring higher productivity, product quality and integrity
- Disseminating good agricultural practices through programmes like Choupal Pradarshan Khets (CPK), Farmer Field Schools, Agri Business Centres, etc.
- Replenishing natural resources that are crucial for agriculture - water, soil and biodiversity
- Undertaking community development activities for building rural infrastructure



NITI Aayog and ITC join hands for improving Agriculture and Allied Sectors in 27 Aspirational Districts

ITC entered into a partnership with NITI Aayog in April, 2018 for improvement of agriculture and allied sectors in 27 Aspirational Districts of 8 states (Assam, Bihar, Jharkhand, Rajasthan, Madhya Pradesh, Maharashtra, Odisha and Uttar Pradesh) through capacity-building of Agriculture Department Officers, who in turn, will cascade the training to farmers. The training material has been developed in consultation with scientists from agricultural universities, Krishi Vigyan Kendras and the training kits have been finalised in local languages (Hindi, Marathi and Assamese) for wheat, gram and paddy, the major rabi crops of these districts. Since the launch of the programme in September, 2018, the following has been the progress:

- ITC, with its NGO partner Vikram Sarabhai Centre for Development Interaction (VIKSAT), has trained 402 block level agri-officers as Master Trainers who in turn have trained 2,259 village level staff as Village Resource Persons for training farmers directly.
- Village Resource Persons have so far trained 2,05,000 farmers.
- In addition, 675 Farmer Field Schools were promoted in 2018-19 creating a pool of 16,900 champion farmers.

ITC's Farm-to-Fork Value Chain

ITC's agri value chain provides a unique competitive edge to the Company's Foods Business by sourcing identity-preserved high-quality agricultural raw materials that enable manufacturing of food products under world-class brands with consumer-preferred value traits. This is manifest in brands like Aashirvaad atta, Aashirvaad spices, Bingo! chips, ITC Master Chef Super Safe Spices and B Natural juices that source wheat, chillies, turmeric, coriander, potato, fruits, among others, from the farmers.

The deep rural linkages and agri-commodity sourcing expertise resident in the Agri Business Division (ABD), including value addition through identity preservation, traceability and certification are a critical source of competitive advantage for ITC. ABD continues to leverage its wide geographical sourcing network, multiple sourcing models and customised infrastructure towards meeting the growing requirements for Aashirvaad atta and deliver substantial savings to the system through efficient logistics management and other cost-optimisation initiatives.

Similarly, ABD sources high quality fruit pulp for B Natural through its extensive sourcing network and associated infrastructure in key growing areas in the country, while also enabling migration to 'Not From Concentrate' fruit pulp sourced from Indian farmers. ABD also supports the Dairy portfolio through 360-degree farmer-connect programme involving extension services towards enhancing farm productivity and a hygienic and efficient procurement network.

The Division continues to step up initiatives in the area of value added agriculture to create new vectors of growth by leveraging its agri-commodity sourcing and processing expertise and its strong distribution network. These include the launch of packaged prawns, super safe spices, fresh fruits and vegetables and dehydrated onions under the ITC Master Chef and Farmland brands over the last year.

ITC's e-Choupal

The ITC e-Choupal network, which leverages information technology to empower farmers, is a rich repertoire of agri based interventions, which not only address the core needs of farmers in terms of infrastructure, connectivity, price discovery and market access, but also provides a significant boost to farm productivity through extension services and research based agri-inputs. Initiatives like the 'Choupal Pradarshan Khet' bring suitable agricultural best practices to farmers and have demonstrated significant productivity gains. These interventions have helped transform village communities into vibrant economic organisations, by enhancing incomes and co-creating markets. Empowerment and trust built amongst the farming community remains at the core of this model.

The e-Choupal network through its various phases of evolution has offered a set of integrated solutions that raise farm productivity and enhance farmer incomes through a value chain reorganisation which has led to the efficient transmission of consumer demand signals to enable a responsive production system. The ITC

e-Choupal initiative aims at holistic empowerment of farmers through meaningful linkages. The ITC e-Choupal system has enabled the development of an efficient 'Farm to Fork' agri-value chain that ensures the delivery of identity preserved and traceable agri-produce.

Launched in June 2000, ITC e-Choupal is today the largest initiative among internet based interventions in rural India. Its services reach out to more than 4 million farmers in over 35,000 villages through 6,100 kiosks spread across 10 states.

ITC e-Choupal 4.0

With rapid penetration of smart phones and gradual reduction in bandwidth costs, the e-Choupal model is slated to enter an exciting new phase by becoming Digital Economy-ready. In its fourth generation, called the e-Choupal 4.0, the model would focus on creating a robust market ecosystem for providing knowledge-driven highly efficient agricultural services based on digital platforms with the larger goal of multiplying farmers' incomes. In this transformative model, e-Choupal 4.0 would assume the role of an 'Aggregator of Agricultural Services' and would include a bouquet of offerings. Whatever has been done in the various stages of e-Choupal over the years can be extended to a digital eco-system as well. The primary objective is to create larger value through a product and services embedded model.

Recognising the need to find innovative approaches to substantially raise farmer's incomes in a sustainable manner, ITC launched an integrated programme - 'Baareh Mahine Hariyali' (maximising farm utilisation over twelve months of the year). This initiative, which is customised to locations and crops, is being piloted in select areas of ITC's operations, progressively reaching out to over 1 Million farmers. In a short span of time since its implementation, the programme has already demonstrated encouraging results. For example, in Uttar Pradesh, the pilot was implemented in 4 districts reaching out to nearly two lakh farmers. Around 30,000 farmers, who adopted all the elements of the integrated programme reported doubling of their incomes. Even among those who implemented the programme partially, incomes rose between 30% and 75%.



High yielding varieties of wheat and short-duration paddy were introduced to enhance productivity to enable better income realisation. Climate smart agricultural practices were imparted through intensive demonstrations under the ITC Choupal Pradarshan Khet (CPK) programme. Practices like zero tillage not only improved productivity and enabled timely sowing but also minimised environmental pollution by eliminating burning of residues. In addition, ITC has also enriched the potato value chain in Uttar Pradesh by introducing better quality seedling and upgrading crop to chip-grade thereby improving realisation for the farmer. Income supplementation was also achieved by introducing value-added crops such as high density guava and jamun plantations, livestock development and agro-forestry.

ITC's Sustainable Paper Value Chain

ITC's large-scale afforestation programme provides sustainable livelihoods to marginal and tribal households along with a commercially viable land use option. These renewable plantations contribute to the carbon sequestration and soil conservation objectives of the country and enable ITC to offer the greenest paper and paperboard products manifest in stationery brands such as Classmate and Paperkraft, while creating largescale livelihoods. These plantations also provide a competitive source of wood pulp to ITC's Paperboards and Specialty Papers Division.

ITC has developed a unique agroforestry model, which enables marginal households to convert their low productivity lands into pulpwood plantations, while at the same time helping de-risk the farmer through additional production of crops within the same land

area. Wood is a major source of fibre for the Paperboards Business and more than half of its total fibre requirement is met from pulp manufactured at Bhadrachalam, where majority of the pulp is produced from wood sourced from ITC's Social and Farm Forestry initiatives. In the current year, over 82 million high-yielding, site-specific, and disease-resistant eucalyptus and subabul saplings were distributed among the farmers.

To ensure responsible wood sourcing, all domestic wood procurement sources have been certified as per standards of FSC - Controlled Wood and 37,090 hectares have been covered under the FSC™ - Forest Management (FM) Certification, covering 32,313 farmers. In 2018-19, ITC procured more than 97,000 tonnes of FSC™ certified wood to manufacture FSC™ FM certified paper & paperboards.

ITC's Sustainable Leaf Tobacco Value Chain

For Leaf Tobacco, ITC constantly transfers technology for appropriate crop solutions, apart from pioneering the introduction of hybrids and high yielding varieties in the country. Enabled by a team of agronomists, agriculture experts, engineers and development managers, these sustainability initiatives have helped in improving the quality of Indian tobacco substantially. Below is a glimpse of such initiatives:

- Propagation of soil conservation measures like use of organic amendments, soil fertility management techniques for reducing chemical fertiliser use, and adoption of drip irrigation technique for improving farm yields.
- Implementation of a three-pronged approach to energy

conservation and sustainable fuel management. This entails introduction of fuel-efficient technologies, promotion of self-sustenance through energy plantations and use of alternative fuels.

- Energy conservation measures such as barn roof insulation and turbo ventilators that result in about 30% reduction of energy requirement during curing, being deployed on a large scale in the states of Andhra Pradesh and Karnataka covering over 30,045 barns.
- In order to move towards a self-sustaining model for sourcing fuel wood, ITC has enabled plantation of trees on over 118,000 acres of land till date.
- Encouragement of farmers to use alternate fuels like coffee husk and biomass briquettes for curing.
- For more details on the above, please refer to Sustainable Supply Chain and Raw Materials sections of ITC's Sustainability Report 2019.

Creating sustainable livelihoods through a robust distribution network



Leveraging its unmatched distribution infrastructure, ITC has enhanced the market standing and consumer franchise of all its brands. Continued focus on supply chain improvements both in the traditional and modern trade arena enhances accessibility of ITC's

large portfolio of products.

ITC's formidable distribution network covers over 1,00,000 markets and over 6 million retail outlets directly and indirectly across various trade channels. This enhances the reach and availability of ITC's large and diverse FMCG product portfolio comprising many brands and hundreds of stock keeping units. This extensive network supports significant sustainable livelihoods across the distribution value chain.

Strengthening and Creating Livelihood Opportunities for Today and Tomorrow: ITC's Mission Sunehra Kal



ITC's Social Investments Programme (SIP) aims to transform the lives of even the most marginalised amongst its stakeholder groups to live a life of dignity. ITC's way of grass-root empowerment, based on knowledge & technology transfer, confronts livelihood challenges of today and tomorrow through a holistic approach to create healthy, educated and skilled communities which look to the future with confidence and determination. Extensive needs assessment surveys have shown that the core challenge for ITC's stakeholder groups, which include rural communities with whom ITC's Agri Business has forged long and enduring partnerships through crop development and procurement activities and communities residing in close proximity of ITC's manufacturing units, is that of securing livelihoods today and tomorrow. To address this issue, ITC has adopted a "Two Horizon Approach" – Horizon

1 to build resilience and reduce risks in the current portfolio of economic activities and Horizon 2 to create healthy, educated and skilled communities capable of competing in the job markets of tomorrow.

Horizon 1: Sustainable Livelihoods Today

Social Forestry: To enhance wealth creation opportunities for small and marginal farmers by providing commercially viable land-use options based on tree-based farming.

Sustainable Agriculture: To strengthen agri-production regimes and de-risk farming operations, especially from erratic weather events, by knowledge empowerment through e-Choupals and Climate Smart Agriculture practices.

Water Stewardship: To promote stable production regimes in both agriculture and manufacturing catchments of the Company through landscape level development of water resources and driving water-use efficiencies amongst all stakeholders.

Integrated Animal Husbandry Programme: To de-risk rural households from primary dependence on agriculture by increasing productivity of milch animals as a first step to dairy emerging as a commercially viable livelihood option.

Women's Economic Empowerment: To mainstream women, especially from poor households, into the centre of social and economic decision-making through enterprise promotion and financial inclusion.

Horizon 2: Sustainable Livelihoods Tomorrow

Primary Education: To provide a level playing field for children from poor families by improving learning outcomes, mainstreaming of out-of-school children and providing a more responsive learning environment through 'child friendly schools'.

Vocational Training: To provide market linked skills for formal employment of youth, especially from marginalised communities.

Public Health: To promote hygienic habitats through prevention of open defecation and reduction in incidence of water borne diseases.

Solid Waste Management: To promote scientific management of solid waste by local communities and ensure that minimum waste goes to the landfill.

For more details on ITC's Social Investments Programme (SIP), please refer to the ITC's Mission Sunehra Kal for Sustainable & Inclusive Growth section of ITC's Sustainability Report 2019.














Highlights*

Empowering Grass Root Institutions 9,200 Grass Root Institutions/Community Based Organisations created		1,49,464 Members	Government Partnerships 61 MoUs Signed	ITC's e-Choupal 4 Million Farmers	35,000 Villages
Social & Farm Forestry 135 Million person-days Employment generated		Women Economic Empowerment 22,700 women Covered through Ultra-Poor Women programme		Primary Education 6,90,882 children Covered under various education initiatives	
Vocational Training 67,496 youth trained on market-relevant skills		Public Health-Sanitation 35,916 Individual Household Toilets (IHHTs) constructed leading to 95% of project catchments becoming Open Defecation Free (ODF)		Solid Waste Management 2.44 Million Households covered**	
Integrated Animal Husbandry Programme 2.4 Million Artificial Inseminations (AIs) undertaken		Water Stewardship 15,086 water harvesting structures Constructed		34.64 Million kl of fresh water harvesting potential created	

* Cumulative Data


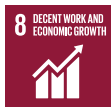
** Including ITC's Mission Sunehra Kal Solid Waste Management Programme and ITC's Well-Being-out-of-Waste Programme

Performance against Target 2030 for ITC's Mission Sunhera Kal and alignment with SDGs:

Objective	Initiative	UoM	Target 2030	Achieved till 2018-19	Balance to Timeline Achieve	Timeline (in years)	SDG Mapping
Horizon 1 - Sustainable Livelihoods Today							
De-risk poor rural households by diversifying farm portfolios through the promotion of tree-based Farming*	Social Forestry	Acres	6,30,000	3,29,047	3,00,953	11	 
Integrate diverse elements of the rural portfolio of initiatives into a Climate Smart Village approach	Sustainable Agriculture	Acres	30,00,000	2,79,366	27,20,634	11	   
Ensure water security for all stakeholders through watershed development & managed aquifer recharge	Watershed Area	Acres	22,00,000	10,11,601	11,88,399	11	  
	Structures	Nos.	50,000	15,086	34,914	11	
	Storage Potential	Million kl	60.00	34.64	25.36	11	
	Biodiversity Conservation	Acres	1,00,000	22,031	77,969	11	
Actively promote non-farm livelihood opportunities to diversify income portfolios of poor households	Women Covered	Nos.	1,50,000	64,605	85,395	11	   

* Excluding the farm forestry programme under the Paperboards and Specialty Papers Division

Performance against Target 2030 for ITC's Mission Sunhera Kal and alignment with SDGs:

Objective	Initiative	UoM	Target 2030	Achieved till 2018-19	Balance to Achieve	Timeline (in years)	SDG Mapping
Horizon 2 - Creating Capabilities For Tomorrow							
Ensure that every child is in school and learning well through improvement in pedagogy and the learning environment	Children Covered	Nos.	13,00,000	6,90,882	6,09,118	11	 
	Schools Covered	Nos.	4,000	1,802	2,198	11	
Align skills training to market demand to maximise employment of youth from ITC's core areas	Youth Enrolled	Nos.	2,82,000	67,496	2,14,504	11	 
Reduce morbidity, especially amongst women and children, by promoting a clean and healthy environment	Toilets Constructed	Nos.	40,000*	35,916	4,084	11	
	Solid Waste Management Households Covered	Nos.	6,00,000	2,11,826	3,88,174	11	

* In view of 95% of project areas being declared Open Defecation Free (ODF) by the Government, the target has been revised.

ENVIRONMENTAL STEWARDSHIP

ITC is a global exemplar in environmental sustainability and takes pride in being carbon positive, water positive and solid waste recycling positive for many years. By virtue of its operations, ITC significantly relies on natural capital as a raw material in the form of agri-based raw materials, energy and water. As an organisation, ITC has contributed to environmental stewardship by not only ensuring efficient use of resources but also by augmenting precious natural resources thereby preserving and replenishing the stock of natural capital it consumes. ITC's commitment to pursue a low carbon path has led to renewable energy constituting about 41% of its energy consumption, despite a large manufacturing base. It has also led the green building movement in India, with 24 buildings LEED® certified at the highest Platinum level. These measures have over the years contributed to maximising and optimising resource efficiency. Going forward, ITC is focusing on managing the impacts of climate change on its operations, using circular economy principles for creating models for sustainably managing post-consumer packaging waste and working towards ensuring water security for all its stakeholders.

Key highlights

- ITC maintained its status as a carbon, water and solid waste recycling positive organisation in 2018-19
- About 41% of ITC's energy needs are met from renewable sources
- ITC is undertaking a comprehensive climate change risk and vulnerability assessment across its various locations
- ITC aims to ensure that 100% of packaging is reusable, recyclable or compostable
- ITC's Solid Waste Management Programmes sustainably managed more than 54,000 tonnes of dry waste in 2018-19 including 7,400 tonnes of Multi-layered plastics/Low value plastic waste
- Munger (Bihar) and Saharanpur (Uttar Pradesh), part of ITC's Solid Waste Management initiative, witnessed significant improvement in their Swachh Survekshan 2019 rankings

Key Capitals Created



SDG Linkages



Inside this section

- Sustaining ITC's status as a carbon, water and solid waste recycling positive organisation
- Building Resilience to Climate Change
- Circular Economy approach to Post-consumer Packaging Waste
- Ensuring Water Security for All Stakeholders

Sustaining ITC's status as a Carbon, Water and Solid Waste Recycling Positive organisation



Carbon Positive

In the last few years, environmental issues have unequivocally emerged as some of the top line risks as reported in the World Economic Forum (WEF) Report on Global Risks. These environmental risks include extreme weather events, natural and man-made environmental disasters, failure of climate change mitigation and adaptation, biodiversity loss and ecosystem collapse, and the burgeoning water crisis.

Climate change itself acts as a risk multiplier and further exacerbates the existing environmental and ecosystem challenges of constrained availability and steady depletion of natural resources including biodiversity. The direct and cascading impacts of climate change are now well-documented and universally acknowledged, and are being felt across the globe including in India. As a signatory to the Paris Climate Treaty, India has committed to delivering its nationally determined targets of reducing emission intensity by 33-35%, increasing the share of non-fossil based electricity to 40%, and creating additional carbon sinks of 2.5-3 billion tonnes of CO₂ by 2030.

ITC's strategic efforts pertaining to managing its energy footprint and potential climate change impacts positively contribute to the above national objectives. These efforts include:

- Energy audits, benchmarking and target setting for progressively reducing specific energy consumption (energy per unit of product/service)

- Investment in renewable energy assets based on techno-commercial feasibility

ITC remains committed to steering its course towards a low carbon pathway and has set a target of achieving a 50% share of renewable energy in its total energy mix. ITC continues to enhance its carbon sequestering potential through social and farm forestry initiatives.

Total Energy Consumption and Renewable Energy Utilisation

In 2018-19, ITC units consumed 23,326 Terra Joules (TJ) of energy out of which about 41% was from renewable sources (refer figure 1 and 2). ITC has computed its greenhouse gas (GHG) inventory,

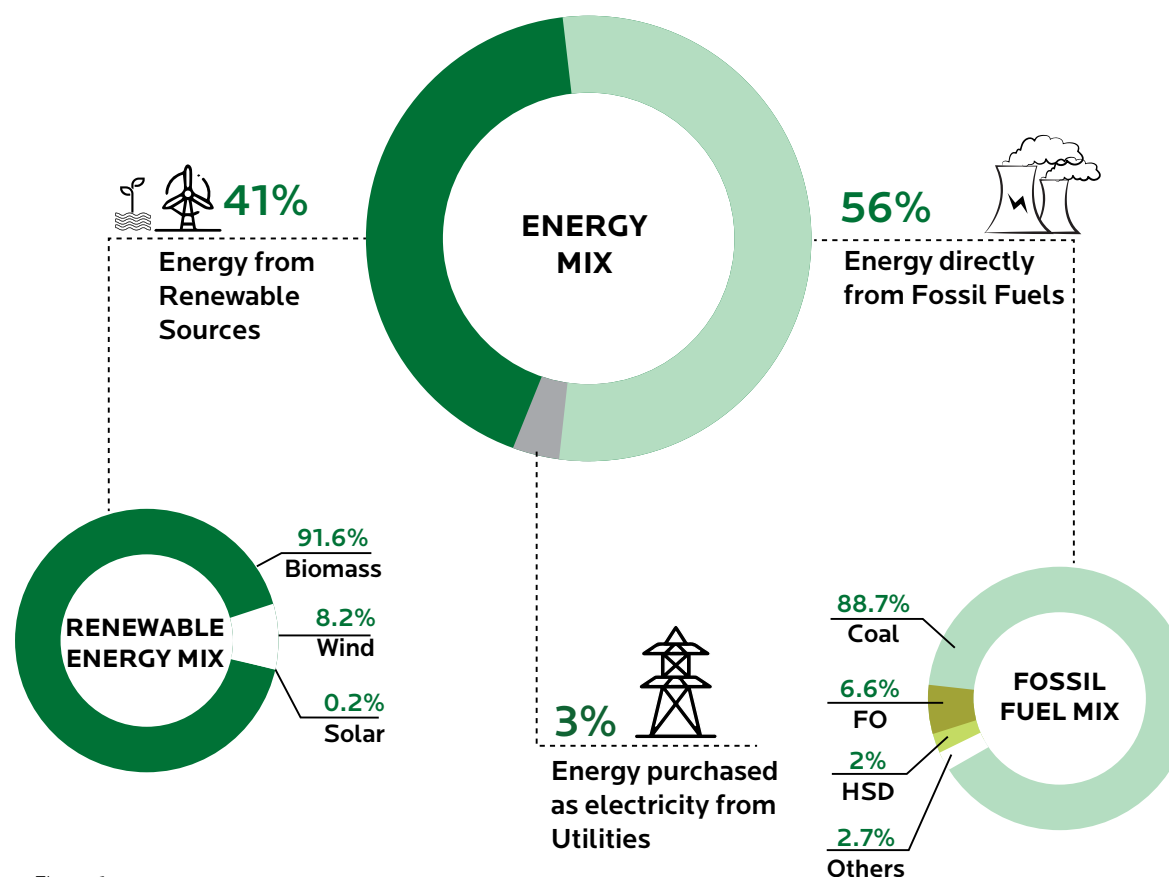


Figure-1

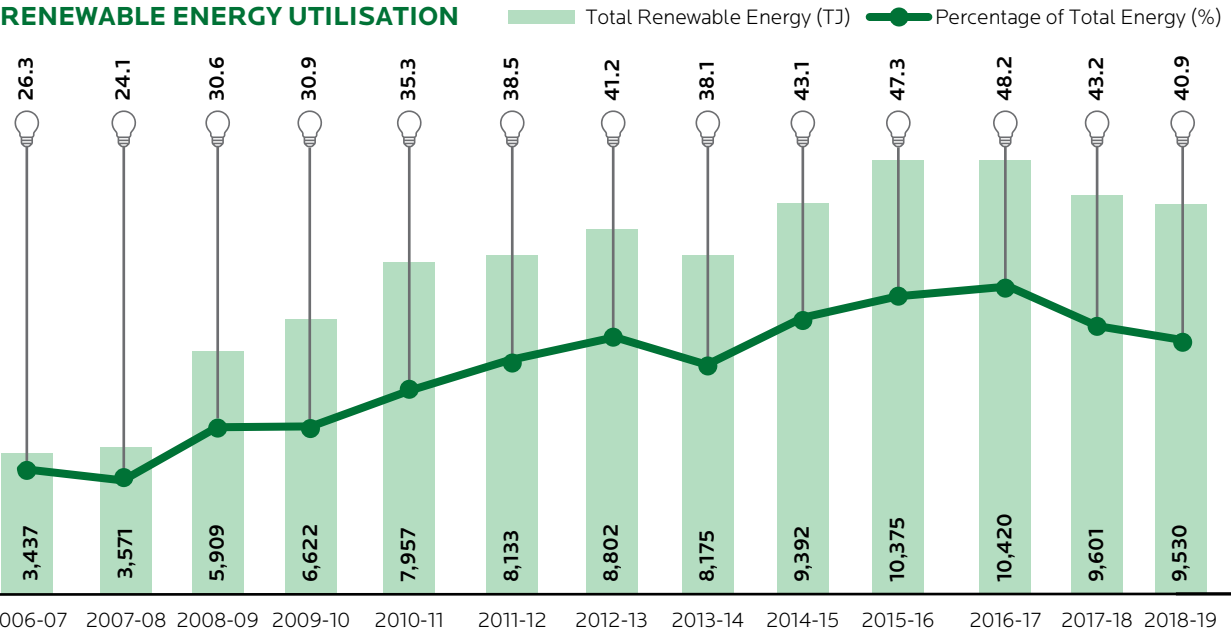


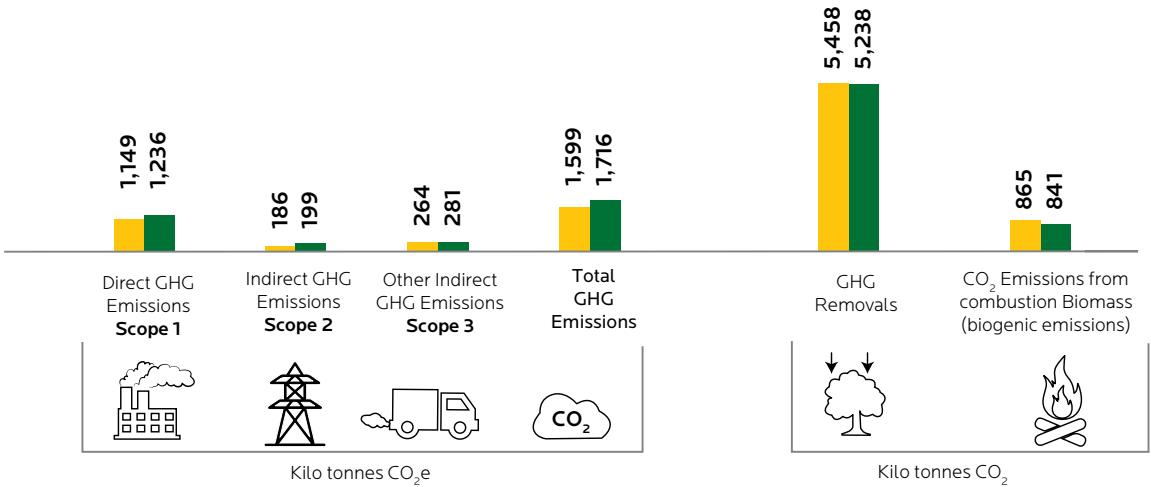
Figure-2

including GHG emissions, biogenic Carbon Dioxide (CO₂) emissions and GHG removals, in accordance with ISO 14064:2006 (refer figure 3). The GHG inventory of 2018-19 has been verified by Messrs. Ernst & Young Associates LLP, an independent third-party assurance provider, at the 'Reasonable Assurance' level. ITC accounts for the following gases in its GHG inventory: Carbon Dioxide (CO₂), Methane (CH₄), Nitrous Oxide (N₂O), Hydrofluorocarbons (HFCs), Perfluorocarbons (PFCs) and Sulphur Hexafluoride (SF₆).

GHG Emissions & CO₂ Sequestration

This year, similar to previous years, ITC successfully sequestered more CO₂ emissions than what it generates from its operations (refer figure 4).

TOTAL GHG EMISSIONS



■ 2017-18 ■ 2018-19

Figure-3

Energy Savings

67.25 TJ of energy was saved and 9,747 tonnes of GHG emissions (scope 1 & 2) were avoided by the implementation of energy conservation measures in 2018-19. For more details on ITC's performance on energy, emissions and air emissions, please refer to Energy & Climate Change and Air Emissions sections of ITC's Sustainability Report 2019.

Water Positive

With water scarcity increasingly becoming an area of concern, ITC continues to focus on an integrated water management approach that includes investing in water conservation measures and rainwater harvesting initiatives at its units. Within the boundary of ITC's operations, the focus is on:

- Continuous monitoring of water use efficiency by progressively reducing specific water intake (water per unit of product/ service)
- Focus on recycling/reusing of all treated effluents within or outside ITC premises
- Continued investment in creating rainwater harvesting potential, within and outside company premises

GHG EMISSIONS & CO₂ SEQUESTRATION

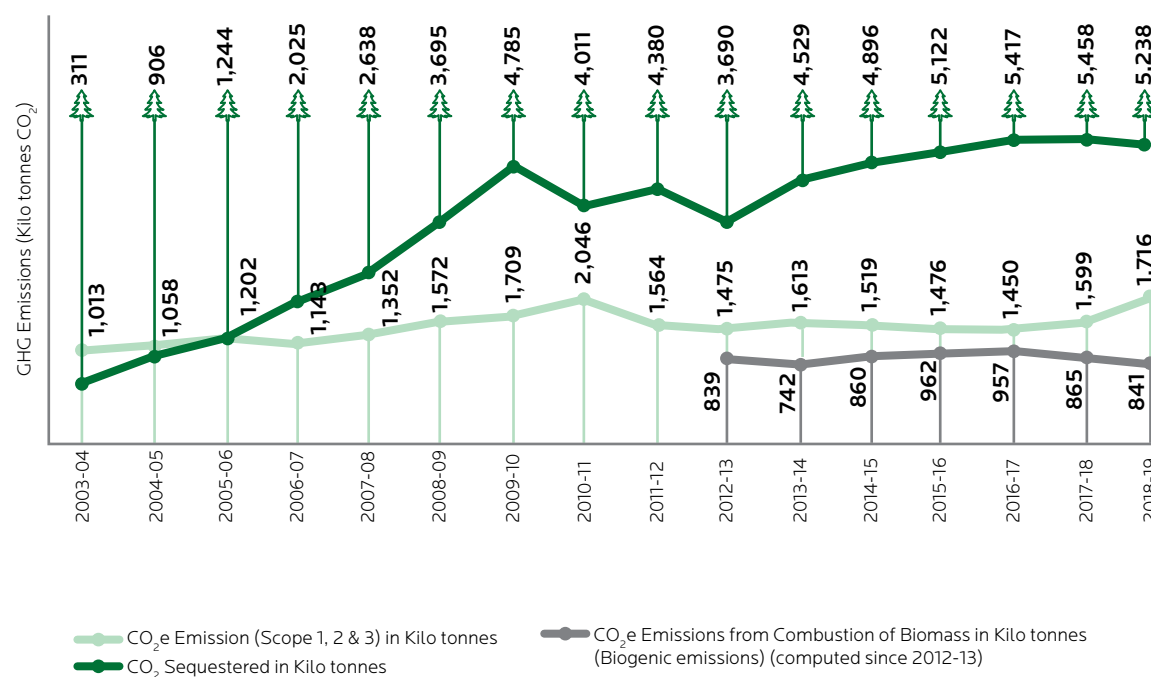


Figure-4

- Conducting water security studies and hydrogeological assessments for operating units located in high water stressed areas. ITC has also made water security assessment an integral part of greenfield/brownfield project design & development.
- Implementation of recommendations emerging from water security studies.

In 2018-19, ITC's total water intake was 33.46 million kilolitres (kl), out of which 77.51% was sourced from surface water, 19.13% from ground water sources and the remaining 3.36% from municipal and other water sources (refer figure 5).

SOURCES OF 33.46 MILLION KL OF TOTAL WATER INTAKE BY ITC IN 2018-19

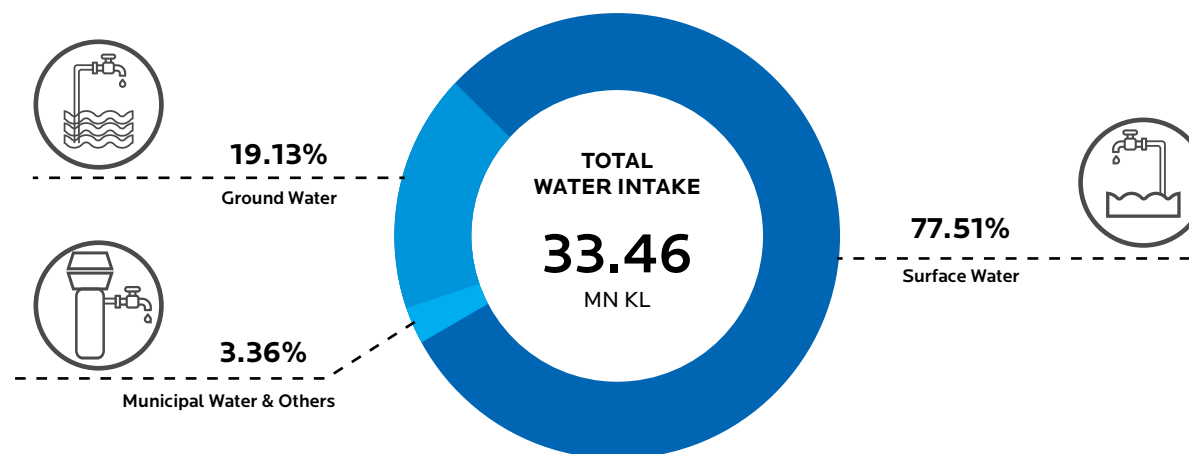


Figure-5

In order to drive continuous improvement, all ITC units have systems to monitor the specific water intake (total water intake per unit of product/service). All ITC units also meet the regulatory compliance norms related to effluent discharge quality and quantity. For more details on ITC's Water Management related practices and performance data, please refer to the Water Management section of ITC's Sustainability Report 2019.

Creating Rain Water Harvesting Potential

Over the years, ITC has been creating rainwater harvesting potential through extensive investments in its Integrated Watershed Development Projects. As on March 31, 2019, these projects covering 10,11,601 acres of land and the total rainwater harvesting potential (RWH) created by ITC is over 3 times the net water consumption by its operations (refer figure 6). For more details, please refer to 'ITC Mission Sunehra Kal for Sustainable & Inclusive Growth' section of ITC's Sustainability Report 2019.

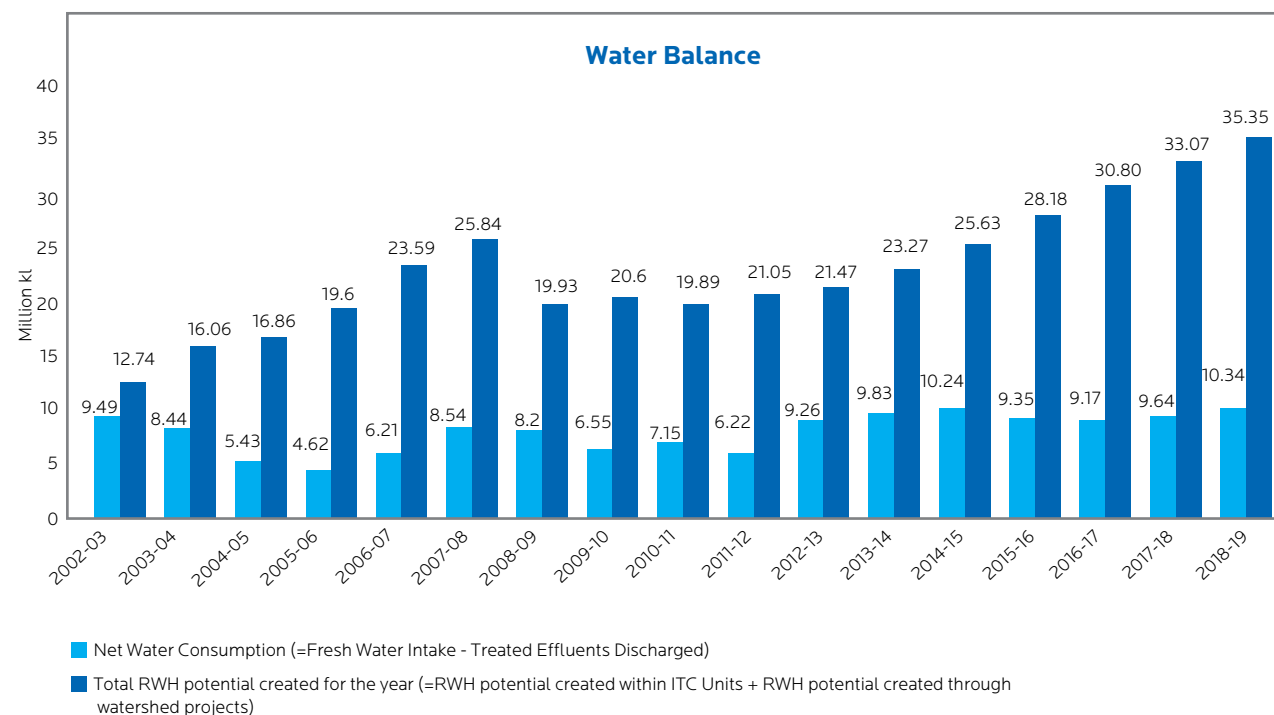


Figure-6

Solid Waste Recycling Positive

As an exemplar in environmental performance, waste management is a major action area for ITC. Within the scope of its operations, waste is minimised through systematic monitoring and improvement of efficiencies in material utilisation as well as by maximising recycling. Based on learning from past experiences, ITC has crafted the following approach on waste management:

- **Resource Conservation:** Reducing specific waste generation at all ITC units through constant monitoring and improvement of material utilisation efficiency.
- **Towards 100% Recycling:** Tracking each waste category and ensuring value realisation through resource recovery at each unit. This ensures that almost no waste from ITC's units ends up in municipal or private landfills.

'Segregation at source' along with focused attention on identifying and tracking of all waste streams all the way till their final disposal, helped the Company in recycling over 99% of the 781,229 tonnes of total waste generated within ITC units during 2018-19. Also, PSPD Kovai and Bhadrachalam units utilised about 89,000 tonnes of post-consumer paper waste as raw material in 2018-19. Efforts at these ITC units to recycle 100% of waste generated along with utilisation of externally generated paper waste as a source of fibre, have helped ITC maintain its solid waste recycling positive

status for 12 years in a row. Besides this, as part of ITC's solid waste management programmes, more than 54,000 tonnes of dry waste was sent for recycling in 2018-19 and diverted from landfill. This further enhances ITC's status as solid waste recycling positive. For more details on ITC's Waste Management related practices and performance data, please refer to the Waste Management section of ITC's Sustainability Report 2019.

Building Resilience to Climate Change



ITC's extensive manufacturing base including factories, warehouses and hotels are also subject to climate change risks on account of extreme weather events, precipitation, and temperature variation etc. ITC has made significant investments to strengthen measures covering ITC manufacturing units located in the coastal areas and business continuity plans are also in place to compensate any interruption of production by a manufacturing facility due to extreme weather events. Additionally, ITC is currently in the process of undertaking a comprehensive climate change risk and vulnerability assessment across its various locations. In line with the findings of the assessment, appropriate site-specific risk mitigation and adaptation measures will be implemented.

Managing Climate Change Impacts across the Value Chain

To address the impact of climate change in agri-supply chain, ITC

undertakes social investments in various programmes, such as soil and moisture conservation, climate smart agriculture practices and technologies etc., that reduce the dependence on rainwater, focus on generation of sustainable livelihoods and promote climate-smart agriculture in its supply chain. For more details on ITC's social investments in the area of climate smart agriculture, please refer to the ITC Mission Sunehra Kal for Sustainable & Inclusive Growth section of ITC's Sustainability Report 2019.

ITC also remains focused on measuring and managing its environmental footprint across the value chain. Broadly, this approach entails:

- Progressive accounting of goods and services along the value chain within the sustainability reporting boundary.
- Engagement with supply chain members for improvement of environmental performance.
- Reduction of environmental impact in transportation of raw materials, finished goods and wastes.

ITC also continues to carry out life-cycle assessment (LCA) studies of its products/ services with an objective to evaluate the impact in the value chain and to identify additional areas for improvement including energy conservation.

Circular Economy approach to Post-consumer Packaging Waste



In line with circular economy principles, ITC aims to ensure that 100% of its packaging is reusable, recyclable or compostable. To this end, ITC's approach focuses on:

- Optimising packaging in a way that it reduces the environmental impact arising out of post-consumer packaging waste without affecting integrity of the product.
- Conduct Life Cycle Assessment (LCA) studies to evaluate the impacts of packaging and identify opportunities for improvement.
- Identify alternative packaging material with lower environmental impact.
- ITC's In-house Life Sciences and Technology Centre's (LSTC) efforts towards developing sustainable packaging solutions.
- Identify suitable end-of-life solutions for packaging waste.

ITC's initiatives also focus on creating replicable, scalable and sustainable models of municipal solid waste management that can be implemented across the country to ensure that zero waste goes to landfill. These models are centered on the following pillars:

- Running behavioural change programmes for citizens in collaboration with various stakeholders like Municipal Corporations and civil society for ensuring segregation of waste at source into dry and wet streams
- Partnering with Urban Local Bodies (ULBs) for door-to-door collection of segregated waste
- Creating sustainable livelihoods for waste collection workers
- Identifying and implementing suitable end-of-life solutions for each waste stream: recycling for dry waste streams and extensive use of composting for wet waste
- To create viable recycling options for post-consumer multi-layered plastic packaging waste

For urban areas, ranging from metros such as Bengaluru and Hyderabad to small and medium towns such as Saharanpur, Muzaffarpur and Munger, different models have been implemented under ITC's flagship "Well-Being Out of Waste" (WOW) programme. During the year, the programme continued its operations in Hyderabad, Coimbatore, Chennai, Bengaluru, Delhi, Muzaffarpur and a few major districts of Andhra Pradesh and Telangana, collecting 51,696 tonnes of dry waste from 651 wards. The programme expanded during the year to Mysuru and Chikmagalur. WOW's outreach spans over 8.9 million citizens, 4.8 million school children and 2,000 Corporates since its inception. The programme creates sustainable livelihoods for over 14,700 waste collectors

and has also created 178 social entrepreneurs who are involved in capturing maximum value from the dry waste collected. In addition to WOW, ITC has a separate programme on solid waste management which deals with both wet and dry waste. The programme spans 15 districts across 10 States covering 2,11,826 households and collected 12,608 MT of waste during the year. The focus is on minimising waste to landfill by managing waste at source including home composting, which was practised by 10,892 households during the year. In 2018-19, 8,462 MT of wet waste was composted and 2,383 MT of dry waste recycled, and only 14% of the total waste was sent to landfill.

ITC Solid Waste Management Programme

54,000+ tonnes

Dry waste sustainably managed in 2018-19 including...

7,400 tonnes

Of Multi-layered plastics/Low value plastic waste channelised for energy recovery in an environmentally safe manner

The programme is scaling up with the following signed Memorandums of Understanding (MoUs):

- With Municipal Corporation of Saharanpur to help manage solid waste of the city covering 1,29,000 households.

- With Guntur Municipal Corporation for technical and implementation support in two wards of Guntur Urban.
- With Karamadai Panchayat Union in Kovai, Tamil Nadu impacting over 10,000 households.
- With Greater Chennai Corporation in two municipal wards of Chennai.
- With Zila Panchayat, Mysuru to train Govt. officials and Gram Panchayats on decentralised solid waste management across rural Mysuru covering 266 gram panchayats, 1,176 villages and 4,00,000 households.

ITC's Waste Management Initiatives create impact on the ground in Saharanpur and Munger

ITC's Solid Waste Management Programmes in Saharanpur and Munger focus on "Decentralized Solid Waste Management" i.e. waste management close to generator through source segregation, and community and home composting to achieve the end objective of "minimal waste to landfill" with community ownership. Both of these initiatives have been recognised across various platforms:

- First prize in the Uttar Pradesh Swachh Ward Pratispardha, 2018 for decentralised waste management practices in Saharanpur

- In Swachh Survekshan 2019, Saharanpur attained a State Rank of 6 (out of 64) and a National Rank of 92 (out of 425). Munger received a State Rank of 1 (out of 26) and a National Rank of 271 (out of 425)

Transforming Muzaffarpur into a Zero Landfill City

ITC's Swachhta Swasthya Samridhi programme in Muzaffarpur in partnership with Muzaffarpur Municipal Council and Centre for Science and Environment (CSE) expanded its coverage to all the 49 wards in the city in 2018-19. Muzaffarpur also became the first city in Bihar to have its own solid waste management by-laws and these were based on CSE and ITC's efforts in the city. On account of the programme, Muzaffarpur has been included in the list of smart cities.

Setting up a Multi-layered Plastic collection programme in Pune

ITC also launched a multi-layered plastic waste collection programme in Pune in collaboration with SWaCH, a cooperative of waste pickers with decade long experience in implementing source segregation and door-to-door collection in Pune. The programme started with a baseline study carried out between September-December 2018 which involved mapping out the flow of multi-layered plastic

waste in Pune and engaging with key stakeholders like waste collectors and scrap dealers. Post the baseline study, the collection programme was operationalised in January 2019 and targets to collect around 200 tonnes of multi-layered plastic waste per month.

As part of the programme, a Multi-Recovery Facility was also setup for aggregating, bailing and transporting MLP waste to a recycler.

Ensuring Water Security for All Stakeholders



While ITC has achieved a unique position in water resource management through well-crafted strategies, efforts are now being channelised to achieve water security for all stakeholders within the defined catchment areas of units located in high water stress areas. ITC has adopted the water stewardship approach to address water security issues as it offers a comprehensive solution to the challenges that India as a water stressed country faces, compounded by the issue of climate change.

The first step is optimisation of usage to minimise withdrawal, both at the operating plant level as well as the sub-catchment or micro-watershed level where the plant is located, followed by augmenting supply at the sub-catchment level through various interventions focused on harvesting rainwater. Stakeholder engagement

is an integral part of any watershed level initiative and is duly emphasised upon. This holistic approach helps in significant overall improvement of the water balance within the defined action area, since both usage efficiency as well as harvesting potential can be improved manifold by simple, well designed interventions.

The recommendations of unit level water security studies conducted in previous years are in various stages of implementation in ITC units in Bhadrachalam, Pune, Malur, Kapurthala, Saharanpur and ITC Grand Bharat. Additionally, the units in Malur and Kovai are in the process of implementing the International Water Stewardship Standard by Alliance for Water Stewardship (AWS), which is a globally-applicable framework for water users to understand their water use and impacts, and to work collaboratively and transparently for sustainable water management at the catchment level.

As part of this water stewardship initiative, ITC along with WWF, India have carried out detailed studies that will help development of a comprehensive water security plan for Haridwar District with special focus on Integrated Industrial Park, Haridwar and areas of Rajaji Tiger Reserve adjacent to the industrial park.

While continuing to invest in its Integrated Watershed Management programme, ITC will be guided by the principles of water stewardship to ensure water security for all stakeholders across all units. ITC's approach will focus on:

Addressing water challenges in the catchment area:

- Expand coverage of the water security projects in identified

production units that are located in water stressed areas

- Identification of water security issues at the local watershed level to be progressively made an integral part of greenfield/ brownfield project design and development

Mitigation of water risks to own operations:

- Monitoring and reviewing performance against KPIs and targets set based on internal as well as external benchmarking
- Adopting latest technologies, and increasing reuse and recycling practices

- Ensuring implementation of recommendations of water security and hydrogeological studies undertaken and review of the same to achieve water security for the units and other stakeholders

Leadership commitment on water stewardship:

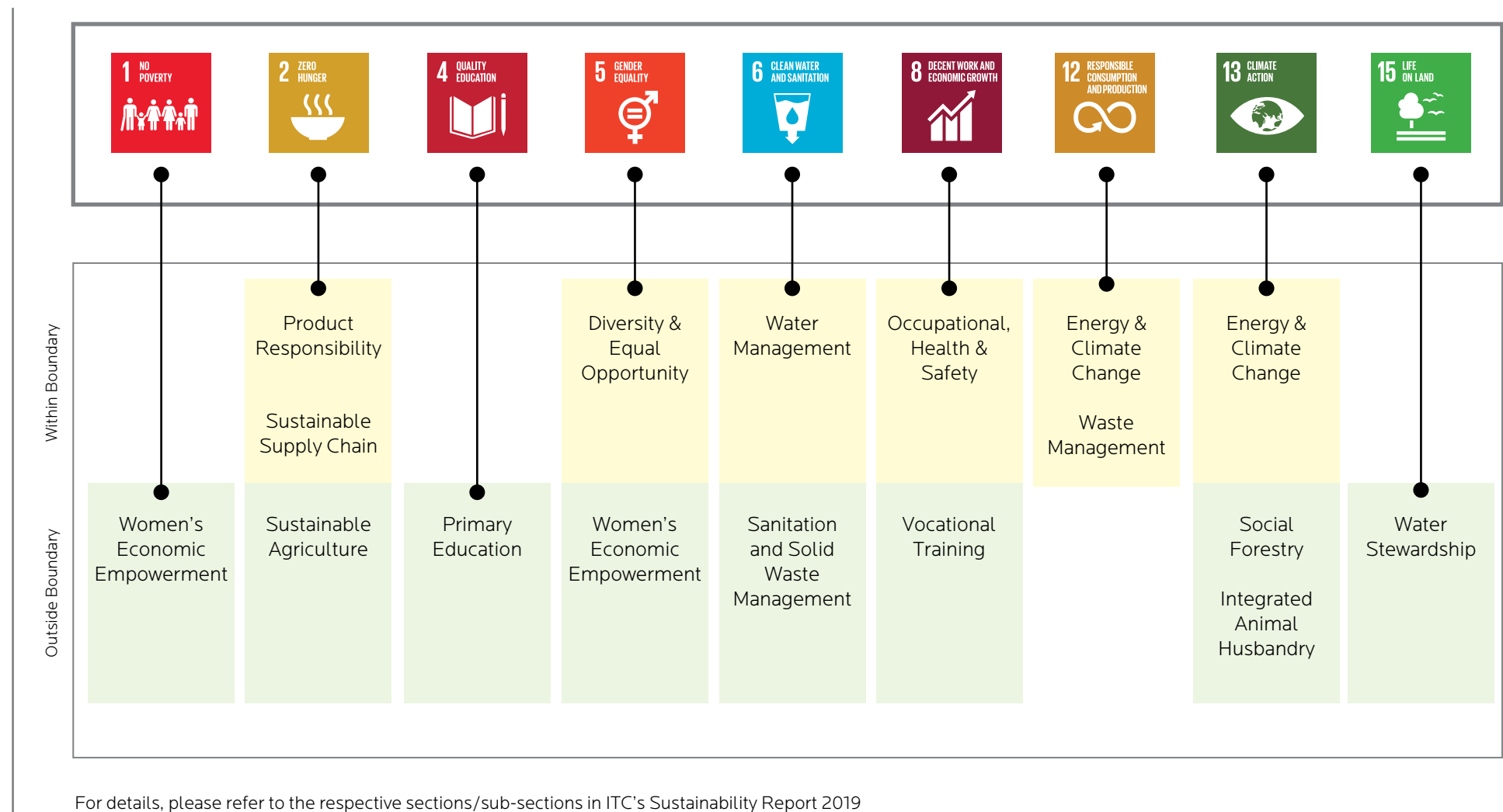
- Continue to address water security issues in regions from where ITC sources its agri commodities
- Integrated watershed development and soil moisture conservation projects in the above regions
- Capacity building of farmers to ensure self-sustenance of the watershed development programmes



Making a Meaningful Contribution to the UN SDGs

Aligning with the United Nation's (UN) Sustainable Development Goals (SDGs)

By virtue of its Triple Bottom Line approach, ITC is well positioned to contribute to achievement of India's commitment under the UN SDGs. Below is a mapping of how ITC's interventions - within and outside its operational boundary are linked to the SDGs.



ITC: CREATING AN ENTERPRISE OF TOMORROW

An enterprise of tomorrow is one that goes beyond the commitment to the market to create larger value for society. It is one that pursues competitive growth even as it enriches the environment and creates opportunities for sustainable livelihoods. It is an organisation that invests not only in meeting the needs of the present but also in securing a better, safer and more inclusive future for the generations to come. At ITC, this commitment to create an enterprise of tomorrow resides in its chosen strategy to pursue 'Responsible Competitiveness' – a socio-economic construct that underpins the Company's objective to be future ready whilst ensuring that growth is sustainable and inclusive.

ITC has leveraged its enterprise strengths to create the businesses of tomorrow which have a growing presence across all three sectors of the economy – agriculture, manufacturing and services. The aspiration is to be India's No. 1 FMCG company by 2030.

Over the last two decades, ITC has traversed a remarkable journey of transformation. A vibrant organisation has been built with immense vitality that today empowers millions of farmers, improves the quality of life for rural communities, delights consumers in both rural and urban markets and enriches the nation in myriad ways. Building on these foundations, a promising tomorrow is emerging. A future that is being shaped with the strength of assets and competencies nurtured over the years as well as with continuous focus on enhancing institutional capabilities.

The focus has been on spurring innovative strategies that would enable ITC make a growing contribution to building economic, environmental and social capital of the nation.


One such area of focus is digital readiness of the organisation. To spearhead development of 'Digital Infrastructure', the Company has formulated a comprehensive business-wise strategy to drive transformational changes across the value chains. Efficiencies in the backend is being enhanced through Industry 4.0. The Businesses have initiated experimentation with new generation technologies involving Internet of Things (IoT), Data Analytics & Intelligence, Machine Learning, Augmented & Virtual Reality among others.





Enduring Value

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